

The US and India Security-Economic Dilemma:
A Study on the Effects of Relative Gain Sensitivities and Regime Formation

BY

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The conclusions and opinions expressed in this document are those of the author. They do not reflect the official position of the US Government, Department of Defense, the United States Air Force, or Air University.



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ABSTRACT

This study analyzes the US-India security and economic regimes and challenges International Relations (IR) theoretical assumptions that states typically compete in security matters and cooperate in economic matters. Relative gain sensitivities directly influence international cooperation and competition and are products of the international order, regional influences, and state interactions. Analyzing the US-India relationship during two distinct periods, 1991-2001 and 2001-2014, proves this assertion. Three major conclusions arise from this study. First, mixed-motive interactions exist across a discord-harmony continuum based on levels of barriers and agreement resulting from state preferences. The barriers and agreement determine relative gain sensitivities and result in *Negative*, *Positive*, or *Neutral* regime classifications. Second, states have failed to acknowledge the unique expectations that accompany the emergent multipolar international order comprised of regional multipolar subsets. In doing so, states adhere to old international order expectations and misinterpret political action, which results in faulty or misdirected policy. These preliminary conclusions lead to the third conclusion that the US and India require an *Accelerated Interaction* course of action. Accelerated interaction capitalizes on formalized economic mechanisms to reduce relative gain sensitivities and enhance the US-India economic regime. An enhanced economic regime and understanding of the contemporary international order allows the states to combine their efforts in the Western Indian Ocean Region (WIOR). The WIOR presents a focus area of lower barriers and higher agreement possibilities for the states to reap the greatest joint benefits. The security and economic welfare of the contemporary international order demands this type of leadership from the largest and oldest democracies in the international order.

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Chapter 1

Introduction

Economic interdependence more often than not tends to moderate the tone of political differences between nations.

David Malone

Instead of the economic component of the US-India relationship taking a backseat to the strategic component, it should be the other way around.

Sadanand Dhume and Julissa Milligan

Interdependence between states occurs across many different sectors. Two predominant sectors of interdependence are security and economics. These two interrelated sectors provide fertile ground for interdependence in the form of competition and cooperation. Interdependence competition predominantly results in negative-sum games, or zero-sum interactions, and indicates that, “the gains of one player are matched by equal losses for the other.”¹ Traditionally, security relationships are highly competitive and take shape as zero-sum interactions.

Conversely, interdependence cooperation predominantly results in positive-sum games, or non-zero-sum interaction, where “total gains are positive and both players can gain relative to their initial position.”² Economic interactions usually exhibit higher degrees of cooperation, since “in economics and political economy is the idea that there are mutual gains from trade for trading partners.”³ Competition and cooperation between states hinges on internal and external influences.

Internal and external influences determine the type and amount of power a state needs. States determine goals, evaluate their internal power capabilities and formulate political action plans to achieve those goals. Next, the state assesses external environmental opportunities and limitations affecting the plans. In the context of security goals, the amount of power a state has in relation to the external environment determines

¹ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?* Editors Simon Bromley, Maureen Mackintosh, William Brown, and Marc Wuyts, (London ; Sterling, Va: Pluto Press in association with the Open University, 2004), 266.

² *Making the International: Economic Interdependence and Political Order: a World of Whose Making?*, 266.

³ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?*, 46.

its ability to achieve independent political action. If a state does not possess the determined amount of power, it must seek ways to improve its power. An integral component to improving power is through the generation of increased wealth.

The criticality of wealth generation in a states' capability matrix cannot be understated due to its inherent fungibility. Actualized and potential wealth determines a state's power. Actualized wealth refers to the transformation of wealth into usable commodities, whether that is armies, social programs, or international economic programs. Potential wealth refers to that portion which has not been transformed into a useable commodity but which could be marshaled to achieve envisioned goals.⁴ Therefore, the amount of wealth a state possesses determines the amount of power it can use to achieve its goals. Power and wealth capabilities reflect a state's position in the international order, shape its relations with other states, and influence the interaction among those states.⁵

Economics and Interdependence

Economic relations between states present both opportunities and constraints; these are relative depending on one's perception of the environment. The ability to challenge or influence another state using economic means is as old as war itself. In fact, using economics as a means of influence occurs early in recorded history. A prime example occurred in ancient Greece.

In 432 B.C.E., rising tensions between Athens and Sparta ultimately led to the Peloponnesian War. Before the war began, Megara, geographically and politically situated between the two foes, fell victim to economic deterrence. Athens, seeking to prohibit Megara from allying with Sparta issued the infamous Megarian Decree.⁶ The decree forbade Megara from using Athenian ports and from conducting business in Athens agora. In this epoch, maritime trade presented the fastest and most efficient manner of distribution of goods and the agora was the marketplace where Ancient Greeks assembled and traded goods. Athens's barring of Megara from these areas represented a

⁴ John J. Mearsheimer, *The Tragedy of Great Power Politics*, (New York: Norton, 2001), 55.

⁵ Robert Gilpin, *War and Change in World Politics*, (Cambridge; New York: Cambridge University Press, 1981), 40.

⁶ For more information about the Megara Decree see Thucydides, Robert B Strassler, and Crawley, *The Landmark Thucydides: A Comprehensive Guide to the Peloponnesian War*, (New York: Free Press, 2008), pg. 80 Appendix B, §10.

form of economic warfare, which Sparta capitalized on in efforts to force Athens to abnegate their hegemonic intentions. While this represents only one case, it demonstrates the importance of economic interactions between states.

Contemporarily, economic prowess is a major determinant of where a state fits in the international order. More precisely, “a nation's political clout in the international economy often depends upon how it is doing economically.”⁷ Before World War II (WWII), military (security) power primarily established a state’s position in the international order. Since the end of WWII, a state’s economic standing in the international order has risen in importance as a determinant of international position. The elevated importance of economic power means that states can influence the international order beyond traditional military power.

With advancements in communication, transportation, and technology, the importance of economic power has been elevated to international importance, sometimes equal to or even superior to military power. Ramesh Chandra Thakur adds evidence to this by stating, “The ‘low politics’ of economics and social welfare policy have become relatively more salient in international affairs. They are transforming the struggle for power by constraining the use of military power and influencing how and when such power may be used.”⁸ This security-economic dynamic affects all states in the international order. Understanding how the dynamic plays out between states is crucial in assessing contemporary IR. The US-India relationship presents a unique opportunity to evaluate the security-economic dynamic.

Research Question and its Significance

The US and India are politically and geo-strategically positioned to tackle many pressing international problems. Through the past two decades, the two states have made significant strides in improving their relationship; however, the improvements contradict some expectations. IR theory predicts that states will be less likely to cooperate on security matters due to higher concerns of relative gains and more likely to cooperate on

⁷ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?*, 173.

⁸ Ramesh Chandra Thakur, *The Politics and Economics of India’s Foreign Policy*, (London : New York: Hurst ; St. Martin’s Press, 1994), 13.

economic matters due to lower concerns of relative gains.⁹ If taken as theoretical truth, then states are more concerned with relative gains in security matters and absolute gains in economics. It would seem that economic cooperation would reign over competition, and when competition arises, it would not be detrimental to the relationship. In the case of the US and India, that prediction has been turned upside down.

Ironically, the states seem to compete economically, and cooperate in security matters. Therefore, theoretical predictions about cooperation, competition, and concerns about relative and absolute gains in the current US-India security-economic relationship are misleading. *The question posed then is what influences relative gain sensitivities in the US-India relationship resulting in a cooperative security regime and a competitive economic regime?* The answer to this question grounds the relationship in truth, not what would seem to be intuitive. Once the truth is unveiled, a true measure of the relationship takes form. The importance of this revelation is of critical importance in how the states tackle the most pressing national security issues facing them in the future. Ultimately, the answer seems to be that the international order, various regional influences, and state interaction shape state preferences and influence *relative gain sensitivities*.

Understanding the complex web of security and economic interactions allows analysts to identify relative gain sensitivities and methods to cope with the sensitivities. The framework for the study dissects the US-India relationship according to international order, regional influences, and state interactions. The cumulative analysis of these three areas spanning twenty years provides an understanding of the current US-India relationship. Specifically, the analysis identifies how the states relate to one another, and how those relations affect the security and economic regimes.

Backdrop: US-India Relations

The analytical study starts in the year 1991, but since contemporary relationships rarely start without some history, this section presents a backdrop. India's entry as a contemporary sovereign state began in 1947, when it attained independence from Great Britain. India's centuries of history, culture, and social dynamism eased the transition

⁹ Andreas Hansclever, Peter Mayer and Volker Rittberger, "Integrating Theories of International Regimes," *Review of International Studies*, Vol. 26, no. 1, January 2000, and Joseph Grieco's "Realist Theory and the Problem of International Cooperation: Analysis with an Amended Prisoner's Dilemma Model," *The Journal of Politics*, Vol. 50, No. 3 (Aug., 1988).

from a colonial possession to an autonomous state. These factors enabled India to rise and secure an important position within the existing Cold War bipolar international order.

The US enthusiastically welcomed another democratic state into the global contest against communism, but the enthusiasm quickly waned as India demonstrated its reluctance to ally with either of the two superpowers.¹⁰ India seemed determined to carve a self-determined position in the international order through non-alignment. Non-alignment served India's desire for independent action as it worked with each of the great powers to serve its own interests.¹¹ To the chagrin of the US, India tended to gravitate towards the USSR.

India considered its gravitation towards the USSR as a matter of necessity. India needed to develop a favorable regional security situation since it resides in an imposing and unfriendly neighborhood. A major factor in India's calculus was Pakistan, an ongoing security concern for India. US tendencies to support Pakistan pushed India into a strategic partnership with the USSR.¹² The USSR support to India primarily consisted of military wares without a deep ideological connection.¹³ India did espouse socialist measures as part of its democratic governance, but did not demonstrate inclinations to become a full-fledged communist Soviet satellite state. As long as India remained a lesser power, regionally constrained, and did not add to the list of communist states, the US took a relatively uninterested political stance. The situation between the two states changed little through the next forty years; however, events beginning in the 1990s led to changes in the relationship.

The international order experienced a significant change with the fall of the USSR. At the same time, India started throwing off its economic shackles by renouncing socialist tendencies and beginning wide spread economic reform.¹⁴ India's economic progress over the years lagged significantly behind many other states. India tried numerous economic reforms to overcome the deficit, but due to its self-sufficient

¹⁰ Sumit Ganguly, *India's Foreign Policy: Retrospect and Prospect*, (New Delhi: Oxford University Press, 2010), 258.

¹¹ David Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, (Oxford ; New York: Oxford University Press, 2011), 75.

¹² C. Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, (New Delhi; New York: Penguin Books, 2005), 49.

¹³ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 122.

¹⁴ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, xiii.

orientation, it remained disengaged from the international economy and exuded a non-friendly business attitude.¹⁵ The economic reforms initiated in 1991 by the Narasimha Rao government began to bring India from a perceived backward socialist nation, to one where it would become a major player in the world.

India viewed this reemergence as taking its rightful place among the great powers of the world, due to its long and influential history before the days of colonization.¹⁶ The US, as the sole superpower, stood ready once again to welcome India into the fold of great democratic nations of the world. However, historical skepticism tainted the welcome on both sides. Due to its uncommitted, non-aligned status, the US approached India cautiously with a prioritized view towards Indian securitization, rather than economic greatness. India encouraged the bilateral security support, but refrained from tying itself economically to the US due to its scars from colonization and fears of becoming a junior partner of the US.¹⁷ With these factors in mind, the analysis seeks to understand the contemporary security-economic dynamic that exists between India and the US.

Framework

Today, the lack of economic progress between the two states befuddles many. The states have taken numerous steps in a positive direction as will be seen throughout the analysis; however, the relationship has seemed to plateau. Analysis of the US-India relationship over twenty years of history teases out reasons for the plateaued economic relationship.

Realism and Liberalism offer unique ways of assessing, explaining, and predicting IR. Chapter 2 delves into the similarities and contrasts of the theories. First, the chapter develops an understanding of how the theories have developed over the years. Included in the discussion are the different levels or images of analysis, concentrating on Image III. By concentrating on Image III, the analysis focuses on structural implications of the international system. Arising out of this focus is Structural Realism and Liberal Institutionalism. Both theories address IR by simplifying the relationship equations

¹⁵ *The United States and Asia: Toward a New U.S. Strategy and Force Posture*, Project Air Force, (Santa Monica: Rand, 2001), 209.

¹⁶ Amit Gupta, *Global Security watch—India*, Global Security Watch, (Santa Barbara, Calif: Praeger, 2012), 2-3.

¹⁷ *India as an Emerging Power*, Editor Sumit Ganguly, (London ; Portland, OR: Frank Cass, 2003), 22.

between states. Simplification allows the analysis to address types of IR changes identified by Robert Gilpin as system, systemic, and interaction that occur within those areas.¹⁸ The types of change provide common ground for both theories to rest upon. Even though the theories rest upon certain commonalities, they diverge based on theoretical assumptions unique to each.

The following sections of Chapter 2 elucidate the areas of theoretical divergence. A discussion of each theory's basic assumptions and predictions for interaction allows the analysis to draw initial conclusions in understanding state relationships. As abstract theories, situations arise that fall in between the abstract ends and necessitate a bridging mechanism. Bridging mechanisms, like the theories themselves, do not cover all situations, but do assist in providing a better understanding of a dynamic environment. Such a bridging mechanism appears in Regime Theory.

Regime Theory presents an argument upon which both Structural Realism and Liberal Institutionalism can exist. A regime, as will be presented, exists as a set of principles, norms, and rules available to assist states in identifying convergent issue areas and processes.¹⁹ Whether competition or cooperation occurs depends on state perceptions of the issue area and the processes available to each. The importance of relative gains, a critical divergent factor between Structural Realism and Liberal Institutionalism, significantly influences regime development.

The argument about relative and absolute gains in IR has garnered attention ever since the development of modern IR theories. Usually, the theories boil down to a concentration of one type of gain over the other. Either it is primarily about relative gains in Realism, or absolute gains in Liberalism.²⁰ The truth in the argument is that both types of gains play a role in different types of regimes; however, the magnitude of relative gain sensitivities, or the gap that exists (potential or realized), significantly influences the development and sustainment of a regime.

¹⁸ Robert Gilpin, *War and Change in World Politics*, (Cambridge; New York: Cambridge University Press, 1981), 40. Gilpin presents a matrix on page 40 and discusses the elements through page 44.

¹⁹ Regime types and scope vary based on the issue area and actors involved. Thomas Gehring, "The Theory of International Regimes," 60.

²⁰ Kenneth N. Waltz, *Theory of International Politics*, (Long Grove, Ill.: Waveland Press, 2010), 195, and Michael W. Doyle, *Ways of War and Peace: Realism, Liberalism, and Socialism*, (1st ed. New York: Norton, 1997), 211.

The measure of a regime resides along a discord-harmony continuum.²¹ A *negative regime* exists close to discord where relative gain sensitivities are high due to high barriers and low agreement. A *positive regime* exists close to harmony where relative gain sensitivities are lower due to low barriers and high agreement. *Neutral regimes* exist in between the discord and harmony poles based on the same delimiting factors. Chapters 3 and 4 analyze relative gain sensitivities that exist in the US-India security and economic regimes based on influential aspects of the international system, systemic changes, and state interactions that occur within those settings.

In chapters 3 and 4, the research focuses on the years between 1991-2001 and 2001-2014 respectively. A significant change in the international order delineates each division. The chapters seek to analyze the relationship understanding that, “Foreign policy formulation requires a conciliation of ends and means conditioned by the specifics of the country involved and of the wider international situation at any given time. It draws on history, geography, economic performance, regional and global ambition and many other factors.”²² Raja Mohan adds, “Fundamental changes in foreign policy take place only when there is a revolutionary change either at home or in the world. In 1991 India confronted just such a situation.”²³ In 1991, the world experienced a reordering of a magnitude not seen for over fifty years.

The bipolar world order came crashing down when the USSR relinquished control of the multitude of Soviet satellite states in its possession. In the wake, states struggled to find their place in the new order. The US peer competitor had vanquished in a flash and now the US sat atop the international order with a multitude of challenges. As a regional hegemon with global influence, the US became the default owner of the international order. The US inherited a plethora of global problems, exacerbated by the technological advancements that encouraged increased communication and transportation capabilities. Areas that had once been backwaters of little influence came to prominence and required the US to interact with more and more actors on a grander scale. While these challenges seem daunting, they offered opportunities for cooperation.

²¹ See Figure 1, chapter 2 for a depiction of the discord-harmony continuum.

²² David Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, (Oxford ; New York: Oxford University Press, 2011), 274.

²³ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, (New Delhi; New York: Penguin Books, 2005), xiii.

India also faced daunting challenges and was tackling them according to its interests, which now needed a new direction. India's primary benefactor during the Cold War, especially in military wares, had ceased to be a reliable economic partner. Compounding the drought of economic backing from the USSR, India had to confront its own weaknesses. The weaknesses rose out of the socialist nature of governance and an internally focused economic system. Without a way to provide economic benefits internally, India started a major economic reform campaign, attempting to pave the way to economic prosperity.

The reforms entailed opening up a relatively closed, insular market to the forces of a global market economy in order to reap the benefits of globalized trade and investment.²⁴ India needed both, but struggled with past ghosts, namely its non-alignment movement (NAM) status, an insecure neighborhood, and a chilly relationship with the US. The US as the sole superpower could provide the economic stimulus needed, but it did not make South Asia an economic priority, which reduced India's abilities to reap expanded economic benefits. Chapter 3 concludes with an assessment of the decade long relationship, where a *positive security regime* and a *negative economic regime* existed. This conclusion sets the stage for the following decade, where once again, changes in the international system forced a reevaluation of the India-US relationship.

In chapter 4, the analysis starts in the year 2001 and proceeds through 2014. Changes in the international system fostered great changes among states of the world. Specifically, the terrorist attacks on the United States on September 11, 2001 changed the international environment. While the entire impact of the US decision to prosecute a Global War on Terror (GWOT) cannot be conclusively decided at this time, it does produce immediate analytical data points for IR. Numerous states offered their assistance and unfettered acceptance of the US prosecution of GWOT, especially those plagued by terrorism concerns. No country's offer of support probably surprised analysts as much as India's support.

²⁴ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, (New Delhi; New York: Penguin Books, 2005), 260.

India's support for GWOT broke with decades of non-interventionist policies especially prevalent due to its NAM status.²⁵ The unsurprising part of the offered support comes from India's experience with terrorism emanating from its long-standing rival Pakistan. The struggle between India and Pakistan produces great animosity, and any campaign that raises the prospect of reducing or eliminating terrorism from India's borders, encourages its support. India's support of US security actions led to modest improvements in both the security and economic regimes.

The India-US relationship during this period of turmoil burgeoned under a lowering of the competitive guard, to some degree. The lowering of the guard occurred primarily in the security regime, while the economic regime remained a slow, gradual process. Acknowledging the common security threats to each nation seemed easy. The common threats included terrorism, piracy, proliferation of weapons of mass destruction (WMD), narcotics, and freedom of maneuver in the oceanic commons, especially the Indian Ocean.²⁶ Another aspect that poses significant turmoil is China's economic rise and the effects on the international order.

Economically, it seems that the US views China as a strategic competitor that needs to be contained, and India as a cooperative strategic partner. India possesses a different view of China. Understanding that the rise of China can pose geopolitical problems for India, the stance typically so far chosen has been a cooperative engagement with China.²⁷ The same tactic is evident in the relationship with the US, which uncovers a political motive. India seems content to exploit the seams of discontent between the US and China, while retaining the benefit of being courted by both, and not a tool for either. India used this tactic to its benefit during the Cold War bipolar order. The political motive serves as a strategically sound motive; however, this falls prey to the misunderstanding of the emerging international order.

The following argues that states incorrectly interpret the international order, which leads to misunderstandings and misplaced foreign policies. Bipolar and unipolar

²⁵ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, (New Delhi; New York: Penguin Books, 2005), xi.

²⁶ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 26, and Asia Foundation, *America's Role in Asia: Asian and American Views: Recommendations for U.S. Policy from Both Sides of the Pacific*, 257, and Aspen Institute India Joint Study Group Report, "The United States and India: A Shared Strategic Future," 12.

²⁷ Gupta, *Global Security watch—India*, Global Security Watch, 59.

orders dominated the past-half century and produced unique expectations. These types of orders demand a global IR focus from hegemons to maintain their global position. Currently, the rise of numerous powers in the order has changed the nature of the order to multipolar. In this international multipolar order, regional multipolar subsets become extremely important.

In the regional multipolar subsets, established and aspiring hegemons exist. Those hegemons may have global influence, but the true dynamic resides at the regional hegemon level. Regional multipolar subsets determine the character of the international multipolar order. A balanced order exists when state's share regional power relatively equally. A hegemon arises when one state monopolizes power, resulting in an unbalanced order. In an unbalanced regional multipolar order, extra-regional hegemons often seek to balance the regional order.²⁸ Identifying this emergent international order is critical to understanding and correctly interpreting state ambitions and fears.

Today, Indian political posturing indicates a desire for a multipolar order.²⁹ The multipolar order they seek directly refers to the international order and specifically aims at the US, the largest power in the order. In reality, they desire to increase their standing regionally as an aspiring regional hegemon; therefore, the aim of their claims should be regional. Unfortunately, the US translates the regional multipolar aspiration as a challenge to their global international position, indicative of bipolar or unipolar order expectations.

The US has global influence; however, in the emerging order, that influence inevitably diminishes with the rise of more powers in the system. The US, as an extra-regional hegemon, desires a balanced multipolar order in Asia.³⁰ The objective meets the needs of both states; however, until they recognize that the emergent multipolar international order is comprised of regional multipolar subsets with unique expectations, they will continue to misinterpret the international environment and follow misguided foreign policies. Both the US and India need to recognize the difference now in order to

²⁸ Balanced and Unbalanced multipolar orders are covered in John J. Mearsheimer, *The Tragedy of Great Power Politics*, (New York: Norton, 2001), 45.

²⁹ Gupta, *Global Security watch—India*, Global Security Watch, 84, and Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 79-80.

³⁰ *The United States and Asia: Toward a New U.S. Strategy and Force Posture*, Project Air Force, (Santa Monica: Rand, 2001), xiii.

formulate a long-term plan and capitalize on the advantages each brings to the relationship, especially in the economic regime.

India's future demands a sound economic plan if it plans on rising and having regional or global influence. The US position allows it to assist in enhancing India's economic growth, but India still harbors fears of US intentions. The lack of trust and understanding is not unique to India. The US understands the implications of India's rise, but seems content to deal with India as a second-rate regional power. The difference in views, founded in a contentious history, leads to an increase in relative gain sensitivities in the economic regime. Today, the security regime, strengthened by actions during this period, remains *positive*. The economic regime also improved, but only slightly, leading to the classification of the regime as *neutral-negative*. Improving the economic regime and the challenges to this endeavor are the concentration of Chapter 5.

In Chapter 5, the analysis turns to the future. Too many scholars and analysts have probed the issue from an almost agnostic point of view, merging with a perception that the relationship should and must be better than it presently exists. While there is room for improvement, the road must be paved with accurate perceptions, and not based in instinct and plausibility. In addition, correctly framing the relationship allows a better formulation of political expectations. With the relationship set in the context of existing conditions, the analysis focuses on the future and offers three potential courses of action: *Neutral Interaction*, *Reverse Interaction*, and *Accelerated Interaction*.

The *Neutral Interaction* COA maintains the status quo in both the security and economic regimes. Enhancing India's economic standing is a prerequisite for both states to cope with stability in South Asia, the rising challenge of Asian hegemony, and changes brought forth in the emergent multipolar order. As such, this COA is not viable. In the *Reverse Interaction* COA, the emphasis switches from security to economics. While offering ways to enhance the economic regime, the COA does more harm than good. Switching the emphasis from security to economics increases perceptions of policy inconsistencies, which plagues the relationship, and increases India's security concerns in the region. The last COA, *Accelerated Integration* remains the only viable of the three. The states agree to formalize economic mechanisms to lower relative gain sensitivities in this COA, which enhances the economic regime. In doing so, both security and

economic regimes benefit positively, and the states increase mutual levels of trust and understanding. It is an imperative that the states accept the *Accelerated Interaction* COA to maximize their abilities to deal with changes in the international order and effectively deal with security and economic challenges in India's neighborhood.

India "sits between two most problematic regions for U.S. national interests."³¹ First, in the East, China looms large in the question of Asian stability and polarity. China's importance is unquestionable and it consumes much of the attention, especially in the media. As it will be demonstrated, China exerts a significant influence in the calculus of both the US and India. This research acknowledges the influential power of China in the relationship, but does not fully explore the US-China-India relationship for a couple of reasons.

To begin with, the triangular relationship is extremely complex and the scope of the interaction exceeds the boundaries of this study. Second, the focus on China's containment leads to unnecessary increases in relative gain sensitivities in the US-India relationship. While containing China proves important to both sides, India overtly eschews overtures in this regard due to its geographic and power standing.³² Focusing on China's containment as a determinant of the US-India relationship is misguided and ill informed. Instead, the direction of the US-India economic transformation should focus on the second problematic region of concern; "the arc of instability that begins in North Africa, goes through the Middle East, and proceeds to Pakistan and Afghanistan ends at India's western border."³³

Concentrating on the arc of instability allows the US and India to refocus the relationship in a manner that continues to serve the established security regime, while simultaneously breaking the stalemated economic regime. Combining efforts in the arc enables both countries to combat the most pressing common security issues, while also solidifying US-India economic interests. The areas that would seem to reap the greatest

³¹ Aspen Institute India Joint Study Group Report, "The United States and India: A Shared Strategic Future," Council on Foreign Relations, September 2011, 3.

³² Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, (Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, 2007), 247 and *India as an Emerging Power*, Editor Sumit Ganguly, (London ; Portland, OR: Frank Cass, 2003), 22.

³³ Aspen Institute India Joint Study Group Report, "The United States and India: A Shared Strategic Future," 3.

security and economic benefits include Iran, the Persian Gulf, and East African states. The two states have much to offer one another, but the record to date is not indicative of that mutuality. In order to understand the often-touted contentious economic relationship between the two states, numerous areas have to be exposed.

While many seem befuddled at the current state of US-India relations and offer excuses on both sides, few have seriously contemplated the international relations aspects that color the relationship. Specifically analyzing the influential factors of the international order, various external influences shaping the relationship, and the interaction of the states themselves, proves to elucidate the salient sticking points in the relationship as they relate to relative gain sensitivities and regime development.

The varied and dynamic nature of any relationship poses limitations on addressing all areas of a relationship. This research hopes to reveal that the previous influential factors indicated above provide enough evidentiary background to reveal the most important relationship issues, while concurrently stimulating further research to either refute or add to the research started here. The oldest and largest democracies need to dispense with illogical rhetoric and focus on substance by combining efforts in both security and economic arenas to demonstrate the leadership required of the emerging international order.

Chapter 2

Contemporary International Relations

It follows that it was not a very remarkable action, or contrary to the common practice of mankind, if we did accept an empire that was offered to us, and refused to give it up under the pressure of three of the strongest motives, fear, honor, and interest. And it was not we who set the example, for it has always been the law that the weaker should be subject to the stronger.

Thucydides

When tracing the theoretical foundations of International Relations (IR) back through history, students of IR inevitably find the beginning in ancient Greece. Thucydides' account of the Peloponnesian War between Athens and Sparta represents one of the first international relations documents detailing cooperative and competitive relations between international actors. The detailed account sparked numerous theories that attempt to explicate and predict relationships in the international environment. Realism and Liberalism, two primary contemporary IR theories, have emerged to tackle the monumental challenge.

Each theory attempts to explain and predict international interactions by categorizing and simplifying actions for analysis. Specifically, this analysis concentrates on the systemic level variants of these theories, identified as Structural Realism and Liberal Institutionalism. Problems arise when IR issues fall in between or outside the theoretical boundaries. When situations like this arise, analysts require mechanisms to bridge the gap. The purpose of this chapter is to present the basic types of IR change common to both Structural Realism and Liberal Institutionalism, discuss the differences between the two theories, and then identify the bridging concept of Regime Theory and the role relative gains play in the formation of regimes. Analyzing the factors influencing relative gains sensitivities in US-India regimes allows a deeper understanding of the complex economic regime that exists between the US and India.

Types of Change in International Relations

Analysis begins with identifying the unit of measure. IR theories traditionally focus on one of three levels or images for the unit of measure. The first image is the individual, the second image is individual collectives, such as states, and the third image is the collective of states forming the international system.¹ Analyzing individuals (Image I) provides a microcosm of IR. Although important, individual actions can only tell part of the story.

The same remains true for individual collectives (Image II), but this collective provides a better unit of analysis through variable reduction. The collective identity and voice presents the internal prerogatives of the society, but does not necessarily take into account the external contextual factors that affect societal prerogatives. Each individual collective exists in an environment of other collectives, where the internal and external dynamics of the relationships forms an invisible but discernible system (Image III).

Kenneth N. Waltz posits that the first and second images provide the forces evident in the third image, which is the world politics framework.² That political framework exists and experiences changes at the system, systemic, and interaction levels.³ Gilpin's three levels of change assist in identifying basic defining characteristics of IR theory. The first level identifies the characteristics of the international system.

Systems – Characterizing the System

Collective units characterize the international system character and have different attributes and nomenclatures throughout history. In ancient Greece, a city-state represented the unit boundary between different societies and governments in the system. Other types of units retained similar attributes whether they are called monarchies, empires, or nation-states. The latter term arose primarily out of the 1648 Treaty of Westphalia and established the international system of state sovereignty, which forms the basis for IR to this day.⁴

¹ Kenneth N. Waltz, *Man, the State, and War: a Theoretical Analysis*, (New York: Columbia University Press, 2001), 14. Waltz describes that everything in IR is related to the three images.

² Waltz, *Man, the State, and War: a Theoretical Analysis*, 238.

³ Robert Gilpin, *War and Change in World Politics*, (Cambridge; New York: Cambridge University Press, 1981), 40. Gilpin presents a matrix on page 40 and discusses the elements through page 44.

⁴ Waltz, *Man, the State, and War: a Theoretical Analysis*, 95.

The state-defined structure provides a sovereign institutional-legal order within societal and territorial boundaries, and retains a monopoly on the legitimate use of organized violence.⁵ Acting as a coherent structure, a state acquires an anthropomorphic character, allowing study of relations between states as if they have a personality or identity. The identity exhibits characteristics that are unique to the state and manifest themselves in political action. Political action represents the resultant of a simple equation where the two primary variables include desires and beliefs.⁶

State desires form the interests of the state and are unique to each state. If desires are interests, then beliefs represent the underlying motivations for those desires. The combination of desire and beliefs results in state political action. Action is the observable factor in the equation. While action is observable, the underlying desires and beliefs driving the action are hard to discern, which leads to uncertainty.

Uncertainty applies to both the 'self' state and the 'other' states in the system.⁷ Various internal and external factors shape the states desires. Those factors rarely remain static; therefore, uncertainty remains a constant. The 'other' states respond to the desires of the 'self' state, based on their own interests and the interplay within the system. State internal capabilities determine limits or extents in achieving the desires; however, systemic external opportunities and constraints influence state desires. Wealth and power elements underwrite the political action equation, enabling states to affect action and influence the systemic environment.

Systemic – The Dichotomy of Competition and Cooperation

The systemic level of IR represents the second level of change and relates to system governance. Governance does not mean system control by a supranational collective; rather, the distribution of power, prestige, rules and rights determined by the powerful states govern the international system.⁸ Governance is an invisible orchestrated

⁵ Alexander Wendt, *Social Theory of International Politics*, (Cambridge Studies in International Relations 67. Cambridge, UK ; New York: Cambridge University Press, 1999), 203.

⁶ Wendt, *Social Theory of International Politics*, 115.

⁷ Wendt, *Social Theory of International Politics*, 22. Wendt uses the terms self and other to distinguish between the identification of each state. The terms utility is especially important in developing a collective identity. While the purpose of the paper is not to develop a collective identity, but does ascribe to the four master variables contained within. The four variables include interdependence, common fate, homogeneity, and self-restraint.

⁸ Gilpin, *War and Change in World Politics*, 42.

dance, where cooperation and competition over wealth and power vie for center stage. Like desires and beliefs, wealth and power vary according to the capabilities of states in the international system. Measuring state wealth includes social, economic, political, military, and environmental aspects. A state that is not wealthy in one or more of the areas does not mean they do not have wealth, just a varying level of wealth that effects the political action equation. Wealth is more readily identifiable and measurable, especially when compared to power.

Power indicates a states' ability to convert wealth into capability. Most power sources accumulate due to the same wealth aspects mentioned earlier, such as social, military, and economic aspects. Robert O. Keohane and John J. Mearsheimer define power as a combination of military and economic capabilities, where Robert Gilpin also adds technological capabilities of states to the definition.⁹ Besides the actualized power components, a state also contains what Mearsheimer calls "latent Power."¹⁰ Latent power refers to a state's potential for actualizing socio-economic power capabilities. Of these elements, economic power is potentially the most obfuscated.

A state can manipulate population and military elements more efficiently than the economic element, because of the highly integrated global economy. Gilpin's political economy definition indicates that the "economy is a sociopolitical system comprised of powerful economic actors or institutions...and the most important of these powerful actors are national governments."¹¹ The interaction of diverse economic actors compounds the political action equation presented earlier, effects all aspects of power, and makes economics a major component of contemporary international order.

State power capabilities shape the international order. The objective and subjective state conditions include "size of population and territory, resource endowment, economic capability, military strength, political stability and competence" and

⁹ Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, (1st Princeton classic ed. A Princeton Classic Edition. Princeton, N.J: Princeton University Press, 2005), 73, and John J. Mearsheimer, *The Tragedy of Great Power Politics*, (New York: Norton, 2001), 43. Mearsheimer adds the population factor to the equation as a component of both military and economic power and Gilpin, *War and Change in World Politics*, 13.

¹⁰ Mearsheimer, *The Tragedy of Great Power Politics*, 55.

¹¹ Robert Gilpin, *Global Political Economy: Understanding the International Economic Order*, (Princeton, N.J: Princeton University Press, 2001), 38.

characterize state positions in the international order.¹² The degree to which states capitalize on these characteristics determines the power position in relation to the other states. State positions determine the polarity of the international order, where the common polarity denominations are *unipolar*, *bipolar*, and *multipolar*. International order polarities change when the previously identified objective and subjective state conditions change.

The post-Cold War international order, predominated by the US, is an example of *unipolar* international order.¹³ US power capabilities outdistanced other powers enabling it to exert hegemonic influence over the international order. Prior to the era of US hegemony, the international order was *bipolar*. The US and United Soviet Socialist Republics (USSR) established themselves at the top of power relations post-World War II. Each state exerted its will globally, contesting the other's influence over other states. The bipolarity of the two states resembles the power struggles between Athens and Sparta; however, the Grecian states existed within a *multipolar* international order, where Persia also played a power role in the international system.

Multipolar orders, the most common form of order, require the existence of three or more great powers in the order. As with the other orders, the power states shape the periodic order, but now more power players are cooperating and competing, which makes the system potentially unstable. The interaction of states in these orders represents the last of Gilpin's three levels of change.

State Interaction

States coexist in the international order creating a structure from the interactions of state capabilities, desires, and interests.¹⁴ The coexistence requires an understanding of internal and external influential variables. The diffuse nature of internal variables makes analysis difficult. The nature of Sparta and Athens provide examples of internal influences of different states within a structure. Sparta derived its power from a preeminent land-based military and oligarchic governance structure. Athens manifested

¹² Kenneth N. Waltz, *Theory of International Politics*, (Long Grove, Ill.: Waveland Press, 2010), 131.

¹³ The definition of hegemony differs among theorists. For example, some associate the US during the period as a global hegemon because of the preponderance of power, but Mearsheimer contends that the US was a hegemon limited by several factors, which prevents it from being a true global hegemon. Mearsheimer assesses that there cannot be a global hegemon. This study accepts Mearsheimers assertion that hegemons are regional, with global influence.

¹⁴ Waltz, *Theory of International Politics*, 91.

power through maritime military predominance and a democratic governance structure. Athens also depended on colonial tribute as the source of wealth, which drove them to expand territorially. Without tribute, Athens had few indigenous methods for producing wealth, a power requisite. The competitive nature of the state's existence led to a power struggle similar to the US and USSR during the Cold War. The power competition forced military interdependence, where each state struggled to retain a lead through counterbalancing.¹⁵ The states shaped and were shaped by the international order.

State interaction is important because those interactions can change the rights and rules within an international system.¹⁶ In fact, state interactions provide valuable additional data to system analysis that could otherwise be overlooked or discarded as irrelevant and resigns "any system-level analysis" to be incomplete.¹⁷ State interaction complexities require a deeper understanding of motivations. Gilpin states that, "when scholars of international relations write of the dynamics of international relations, they are referring to modifications of the interactions among states within a particular state system."¹⁸ The resultant action and developed capabilities creates an invisible force that defines international order.

In the order, the states not only act upon their internal disposition, but more importantly, upon their external dispositions. State interactions encompass a wide-ranging set of processes, where numerous data sets exist and change within and without the international system. The system, systemic, and state interaction changes provides valuable information applicable to the following IR theory discussions and is necessary to understand the complex relationship between the US and India.

STRUCTURAL REALISM

The basic premises for Realism originate with Thucydides' account of the relations between Sparta and Athens in the Peloponnesian War. The numerous actions and reactions between the two city-states provide in explicit detail the complex, varied,

¹⁵ Waltz differs in this view that the state's were not militarily interdependent because they relied on their own capabilities. A different perspective, ascribed to in this study, is that the states were interdependent because a change in position of one state demanded a reciprocal change in the other. For Waltz's view, see *Theory of International Politics*, pages 168-169.

¹⁶ Gilpin, *War and Change in World Politics*, 43.

¹⁷ Robert O. Keohane, and Joseph S. Nye, *Power and Interdependence*, (2nd ed. Scott, Foresman/Little, Brown Series in Political Science. Glenview, Ill: Scott, Foresman, 1989), 263.

¹⁸ Gilpin, *War and Change in World Politics*, 43-44.

and potentially bloody relations between states. One of the most telling events underscoring Realism occurs in Thucydides' recollection of the Melian dialogue. The discourse between the powerful state of Athens and the smaller, weaker state of Melos is a brutal and stark interpretation of state relations. Athenian emissary's confront the Melian leaders with the harshness of realism by stating, "Since you know as well as we do that right, as the world goes, is only in question between equals in power, while *the strong do what they can and the weak suffer what they must.*"¹⁹ The excerpt contains the core of Thucydides observation in the chapter's epigraph that states act based on *fear*, *honor*, and *interests*, where power determines a state's position.

Extending from Greece to today, the theoretical underpinnings of Realism are apparent. Realism assumes that states exist in an anarchic self-help system, they balance power through capabilities, and the distribution of power is a zero-sum interaction since relative gains are elevated above absolute gains. The realization that no one entity is responsible for the security and safety of all states forms the basic assumption of international anarchy.

For Realists, "the survival motive is taken as the ground of action in a world where the security of states is not assured."²⁰ Therefore, a state that fails to provide sovereign security fails as a state. "To say that a state is sovereign means that it decides for itself how it will cope with its internal and external problems, including whether or not to seek assistance from others and in doing so to limit its freedom by making commitments to them."²¹ Assuming that all states act to maximize their freedom of action, competition reigns in Realism and relegates cooperation to a lower level of necessity.

In this sense, the order is self-help since there is not one overarching governmental body to decide for the entirety of the order. Waltz describes the anarchic international system as a self-help system, where "each of the units [states] spends a portion of its effort...providing the means of protecting itself against others."²² Realists understand that each state exists in competitive relations with other states, and their self-

¹⁹ Thucydides, Robert B Strassler, and Crawley, *The Landmark Thucydides: a Comprehensive Guide to the Peloponnesian War*, (New York: Free Press, 2008), 352. (Italics added for emphasis.)

²⁰ Waltz, *Theory of International Politics*, 92.

²¹ Waltz, *Theory of International Politics*, 96.

²² Waltz, *Theory of International Politics*, 105.

serving interests determine the nature of the relationship. The egoistic nature of states in anarchy places short-term gains above long-term gains.

When short-term gains take priority, cooperation, which requires long-term focus, is difficult to achieve. Waltz contends that, “When faced with the possibility of cooperating for mutual gain, states that feel insecure must ask how the gain will be divided.”²³ The fear of losing relative position within the system in other words “conditions their behavior.”²⁴ The manifestation of this political action influences other states to reciprocate for fear of their own loss of position. Since states seek to retain their power position, each struggles to balance power in the system.

Structural Realism asserts that states act within an established balance of power system. Balance of power theory “begins with assumptions about states: They are unitary actors, who at a minimum, seek their own preservation and, at a maximum, drive for universal domination.”²⁵ Structural Realists indicate that the order depends on relative state power capacities, and as such, determines the relative position of the state’s within the order. Power, in the Realist sense, equates to military force.²⁶ Waltz’s oft cited dictum that, “In international politics force serves, not only as the ultima ratio, but indeed as the first and constant one,” motivates all realist political action.²⁷ Through military power, the state is able to assuage fear, protect its honor, and acquire its interests. These assumptions elevate the importance of military power above other political tools.

When state relationships concentrate on military force (high politics) as the primary indicator of power, relative gains competition rises to prominence in relation to other states in the system. States must rely on their own resources and strive to maintain their relative power positions in the system. In Realism terms, this means, “In self-help systems...competing parties consider relative gains more important than absolute ones. Absolute gains become more important as competition lessens.”²⁸ The competition-cooperation dilemma forces states to assess each other in terms of capabilities, not

²³ Waltz, *Theory of International Politics*, 105.

²⁴ Waltz, *Theory of International Politics*, 105.

²⁵ Waltz, *Theory of International Politics*, 118.

²⁶ Keohane and Nye accept that military force is the most important power source in world politics. This aspect will be discussed in more detail in the following sections. See Keohane and Nye, *Power and Interdependence*, 47.

²⁷ Waltz, *Theory of International Politics*, 113.

²⁸ Waltz, *Theory of International Politics*, 195.

intentions. As presented earlier, intentions can vary based on desires and beliefs; however, realists assume “states are alike in the tasks they face, though not in their abilities to perform them.”²⁹

Realists focus on capabilities over intentions for two reasons.³⁰ First, capabilities are quantifiable, where intentions are at best qualifiable. Second, all states’ functions are the same, which translates into presumed intentions. The overarching view simplifies the IR calculations. It reduces the desire plus belief equation into a singular desire for power since all states act rationally. Therefore, high politics guides all state political action in Structural Realism with little regard for low politics. Here the Structural Realism equation becomes apparent.

States do not have to be actively engaged in war, but always preparing for war due to the never-ending competition for survival. Since cooperation is not comprehensive, competition remains and is critical to the assumption that the international order constantly remains in an actual or preparatory state of war. The power capabilities of the states and unknown intentions provide fertile ground for competition.

In an international order or interactive relationship dominated by Structural Realism, states are conditioned to expect force to play a dominant role. In conditions where states are in constant competition with little reason for cooperation, the theory remains sound. However, military power as a means to accomplish these ends is not always the right or most efficient means to the end, especially in the contemporary international environment.

Militarily, states can band together as alliances or coalitions, which usually occurs in periods of war. Waltz contends that many see “a lessening of anarchy when alliances form, when transactions across national borders increase, and when international agencies multiply.”³¹ He views this as “confusing structure with process,” but can lead to reducing uncertainty, a mainstay of international relations.³² For Waltz, structure is the only thing that matters. Liberal Institutionalism, on the other hand, presumes state intentions are not exactly alike and favors cooperation over competition to reduce uncertainty, especially

²⁹ Waltz, *Theory of International Politics*, 96.

³⁰ Mearsheimer asserts that intentions are unknown and unknowable, and as such cannot be measured. See Mearsheimer, *The Tragedy of Great Power Politics*, 45 for more information.

³¹ Waltz, *Theory of International Politics*, 114.

³² Waltz, *Theory of International Politics*, 114.

since, economic power has come to take a place, not replace, military power as a means to an end. Liberal thought contends that analysts “cannot study either the systemic relations of states or the varieties of state behavior in isolation from one another.”³³ Order and the struggle for power remain a prime concern, but the methods for achieving power diverge in Liberal Institutionalism.

LIBERAL INSTITUTIONALISM

Theorists often view Liberalism Institutionalism as “optimistic” because of its “three core beliefs.”³⁴ First, Liberal Institutionalism identifies states as the main actors. The second belief that states internal characteristics matter, gives more weight to the influence of domestic issues than does Structural Realism. In other words, state intentions differ based on the international environment and power balancing cannot be simplified to assume that states are all exactly like units. Both theories view states as egoistic entities existing in anarchic international system struggling for power and wealth. Finally, Liberal Institutionalism places greater emphasis on low politics, such as political and economic concerns, rather than concerns for high politics.³⁵ This last primary divergent factor between Liberal Institutionalism and Structural Realism effects how states view competition and cooperation.

Structural Realism balances power through power competition, where competition results in relative gains elevating in importance over absolute gains. Conversely, Liberal Institutionalism restrains or controls power through power cooperation. Liberal Institutionalism theory claims that the distribution of power is not a zero-sum interaction as Realists contend, but a non-zero-sum or positive gain interaction.³⁶ Liberal Institutionalism accepts the system as one where each state can gain or lose wealth and power and favors cooperation over competition.

Through cooperation, “States mutually constrain one another and thereby mitigate problems of anarchy that lead to security dilemmas and power balancing” hallmarks of Structural Realism.³⁷ Cooperation does not always mean harmony or that each side gains

³³ Michael W. Doyle, *Ways of War and Peace: Realism, Liberalism, and Socialism*, (1st ed. New York: Norton, 1997), 254.

³⁴ Mearsheimer, *The Tragedy of Great Power Politics*, 15.

³⁵ Mearsheimer, *The Tragedy of Great Power Politics*, 15-16.

³⁶ Doyle, *Ways of War and Peace: Realism, Liberalism, and Socialism*, 211.

³⁷ Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 64.

equally. Keohane presents a definition of institutionalism as “cooperation that can under some conditions develop on the basis of complementary interests, and that institutions, broadly defined, affect the patterns of cooperation that emerge.”³⁸ Institutions provide the means to operationalize Liberal Institutionalism ideas.

Institutions provide the mechanisms for the self-help environment to become a mutual-help environment. Through institutions, low politics can attain a priority equal to high politics in Liberal Institutionalism. Contrasted with Structural Realism’s short-term gain focus, Liberal Institutionalism focuses on long-term gains. Ikenberry posits generally that, “The use of power for short-term substantive gains is attractive in that the gains are relatively certain and they can be put to work immediately. On the other hand, if institutional agreements can be secured, they are a remarkable power-saving arrangement.”³⁹ Institutions diffuse labor costs among the actors enabling achievement of broader sets of goals over extended periods.⁴⁰

Institutions are difficult due to start-up costs, but once established, they can be hard to change.⁴¹ Institutions perform important functions that the state may or may not be able to do on their own. If they cannot perform the function, the relevance of the institution is apparent. However, when the state can perform the function, other variables must be at play that encourages a state to engage in institutional arrangements. Such variables may include extending power, gaining advantage, linking issues where the sum of the states interacting is greater than the individual parts or linkage of different issues where each state performs different functions in order to satisfy a different function for the other state. The variable listing is not exhaustive, but provides examples of institutional functions that can overcome uncertainty, a key motivator behind the theory.

Reducing uncertainty in world politics is one of the hardest things to do, and the reason why the issue receives so much attention. Neither theory has completely solved the dichotomy of competition and cooperation. The best analysis takes factors from multiple areas to bridge concepts for a more holistic understanding of IR. The Regime

³⁸ Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 9.

³⁹ John G. Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*, (Princeton Studies in International History and Politics. Princeton: Princeton University Press, 2001), 58.

⁴⁰ Gilpin, *War and Change in World Politics*, 27.

⁴¹ John G. Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*, 70.

Theory concept bridges Structural Realism and Liberal Institutionalism, accepting tenets from both. The concept seems to favor Liberal Institutionalism due to its cooperative foundations, but does not discount competitive interaction. The goal is to maximize positive cooperation while minimizing negative competition.

INTERNATIONAL REGIMES

The study of international regimes varies from state to state, and theorist to theorist, but contains basic fundamental assertions. Regime theory contends with the “institutionalized co-operation of states for managing conflicts and interdependence problems, instead of relying on self-help strategies” even though the latter strategies may seem to cost less in the short-term.⁴² Volker Rittberger asserts, “American regime analysis has concentrated (though not exclusively) on issue areas in West-West relations, mostly within the economic realm.”⁴³ The following study seeks to follow a similar ‘American’ pattern, especially in the issue area of economics, but addresses a different West-East orientation. Specifically, analyzing the past and current US-India economic regime assists in predicting implications and managing future expectations.

Globally, the US views the international order as containing multiple, varied, and overlapping regimes where regimes are a form of institution as described earlier.

Keohane contends that the international regimes concept,

Meshes well with the sociological concept of institutions, defined as persistent and connected sets of rules (formal and informal) that prescribe behavioural roles, constrain activity, and shape expectations. Since an institution’s rules must be ‘*persistent*’, they must continue to be taken into account by participants, but *no minimum standards of effectiveness* are implied. *International regimes are institutions with explicit rules, agreed upon by governments that pertain to particular sets of issues in international relations.*⁴⁴

Keohane describes the components of regimes with some definitive attributes that assist in forming a definition for international regime.

⁴² Volker Rittberger and Peter Mayer, *Regime Theory and International Relations*, (Oxford : New York: Clarendon Press ; Oxford University Press, 1993), 9.

⁴³ Volker Rittberger and Peter Mayer, *Regime Theory and International Relations*, 7.

⁴⁴ Volker Rittberger and Peter Mayer, *Regime Theory and International Relations*, 28-29. (Italics added for emphasis) Thomas Gehring identifies that stability over time is a major requirement of a regime in “The Theory of International Regimes,” 45.

Regimes are social institutions where a “set of implicit or explicit principles, norms, rules and decision-making procedures around which actors’ expectations converge in a given area of international relations.”⁴⁵ Keohane concedes that an agreed upon “set of rules need not be ‘effective’ to qualify as a regime, but it must be recognized as continuing to exist.”⁴⁶ By continuing to exist in some shape, regimes offer states a multitude of advantages including establishing legal liability, improving information flows, and determining bargaining costs of agreements.⁴⁷

Rittberger furthers the assertion by stating, “Methodologically, a substantive definition of regimes provides that regimes *only* exist if actors’ expectations actually converge; and some measure of convergence must therefore be found.”⁴⁸ The measure of convergence depends on each actor’s preferences and influences their sensitivity to relative gains, a major divergent factor between Structural Realism and Liberal Institutionalism. Identifying the ways to overcome these difficulties requires an understanding of regime structures and processes.

Regime structure and processes produces a defined cooperation schema. Keohane and Joseph S. Nye emphasize the need for process since it “moves us toward a synthesis of, rather than a disjunction between, realism and liberalism.”⁴⁹ The synthesis provides a better understanding of the complexities inherent in any relationship, especially where political actions change due to environmental contexts. States convergent or divergent issue areas form the structure, and develop appropriate linkages through process to contend with the issues.

STRUCTURE – ISSUE AREAS

Focal points or issue areas around which expectations converge defines a regime’s structure. Keohane and Nye refer to structure as “the distribution of capabilities among units.”⁵⁰ Regimes reduce uncertainty by focusing attention on specific issues, and

⁴⁵ Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 57.

⁴⁶ Volker Rittberger and Peter Mayer, *Regime Theory and International Relations*, 28-29.

⁴⁷ Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 88.

⁴⁸ Volker Rittberger and Peter Mayer, *Regime Theory and International Relations*, 27. (Italics added for emphasis)

⁴⁹ Keohane, and Nye, *Power and Interdependence*, 262.

⁵⁰ Keohane, and Nye, *Power and Interdependence*, 260.

developing guidelines about “legitimate actions” and “feasible patterns to agreement.”⁵¹ By establishing baseline acceptable actions and patterns, cooperation and coordination channels open facilitating dialogue and exchange. Actions and patterns in regimes can produce intended or unintended behavioral changes in the states.

While regimes tend to open channels, they can also impose constraints on those channels “by limiting access to decision-making and by prohibiting certain actions.”⁵² As domestic issues are hierarchically governed, international issues are not, which means that institutions and regimes tend to be fragile “because they risk coming into conflict with the principle of sovereignty and the associated norm of self-help.”⁵³ This means that regime issue areas require processes to overcome inevitable fragility.

PROCESS - LINKAGE

Regime structure and process depends on the links between two or more states. Keohane and Nye add process to the structure argument stating that process is a “pattern of interaction-the ways in which the units relate to each other.”⁵⁴ The structure binds the states together, while the process incorporates the interactive components of the relationship. The process includes “formalizing legal or organizational procedures and understandings,” which can lead to “transgovernmental connections, routines, and coalitions” and can provide a working environment for “a wider set of reinforcing political activities and institutions.”⁵⁵ A primary goal is to reduce uncertainty by establishing trust. As in any relationship, trust takes time and constant attention. Past and present environmental contextual changes affect the relationship, for better or worse.

Regimes occur as a systematic learning process, guided by past and present actions in order to develop and encourage improved future action.⁵⁶ As such, Keohane and Nye posit:

International regimes probably play a significant role in incremental learning because in such settings they can: 1)

⁵¹ Keohane, and Nye, *Power and Interdependence*, 259 and Andreas Hansclever, Peter Mayer and Volker Rittberger, “Integrating Theories of International Regimes,” *Review of International Studies*, Vol. 26, no. 1, January 2000, 7.

⁵² Keohane, and Nye, *Power and Interdependence*, 259.

⁵³ Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 62.

⁵⁴ Keohane, and Nye, *Power and Interdependence*, 260.

⁵⁵ Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*, 65-67.

⁵⁶ Thomas Gehring, “The Theory of International Regimes,” 55-56.

change standard operating procedures for national bureaucracies; 2) present new coalition opportunities for subnational actors and improved access for third parties; 3) change the attitudes of participants through contacts within institutions; 4) provide information about compliance with rules, which facilitates learning about others' behavior; and 5) help to delink one issue from others, thus facilitating learning within specialized groups of negotiators.⁵⁷

As such, "Regimes construct linkages between issues."⁵⁸ The strength of linkages depends on the relationship between the states, and external influences. Arthur Stein quoted in *Power and Interdependence* states, "Linkage is the central analytic problem with an issue approach to international politics. Issue compartmentalization only goes so far...because there are situations amenable to linkage politics, the viability of an issue-area approach to the study of international politics is itself context-dependent."⁵⁹ State's actions and preferences provide context for the development of a regime.

Regimes are the manifestations of institutional cooperation between states that take for granted certain norms, rules, and principles, even though they may not be formally scribed to paper. The principle is the purpose of the regime, which provides structure, while processes are the rules that "detail the specific rights and obligations of members."⁶⁰ By acting in accordance with principles and rules, improvements in state relationships include more symmetric information, power restraint, and conservation, as well as a predictable and legitimate structure to deal with issue areas. A significant influence to establishing a regime is concerns about absolute and relative gains.

ABSOLUTE AND REALTIVE GAINS

International relations scholars debate the utility of absolute and relative gains. Each state concerns itself with both absolute and relative gains simultaneously. The real dilemma arises in the potential for cheating and identifying relative gain gap sensitivities.⁶¹ Cheating on agreements is a constant concern. Since there is not a

⁵⁷ Keohane, and Nye, *Power and Interdependence*, 266.

⁵⁸ Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 89.

⁵⁹ Keohane, and Nye, *Power and Interdependence*, 253.

⁶⁰ Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 58.

⁶¹ Cheating and relative gain sensitivities represent two major themes apparent in many discussions about regime development. Grieco, Powell, Snidal, Keohane, Nye and Hansclever et al are but a few that argue the effects of cheating and relative gain sensitivities.

supranational organization that ensures each side holds to the agreement, a constant fear exists that one side will either defect or fail to adhere to the rules. Regimes can dampen cheating concerns; however, analysis also needs to address gains achieved by either side.

The relative gains sensitivity dilemma poses significant problems in assessing the relationship between states. The dilemma arises out of the different preferences each state evinces in a relationship. Specifically, addressing the relative gain sensitivity dilemma becomes a significant focal point in determining the ability to achieve mutual aims in a mixed motive situation. Thomas Schelling defines the mixed motive postulate as “the mixture of mutual dependence and conflict, or partnership and competition.”⁶²

Essentially, mixed motives fall on a continuum between discord and harmony. Pure discordant situations involve areas of insurmountable conflict and pure harmonious situations reflect no conflict. In either of those two situations, a regime would not exist.⁶³ Mixed motives comprise the continuum between the two extremes where situations defined as “partially conflicting and partially coinciding interests in varying combinations” occur.⁶⁴

With this, a regime may exist anywhere along the mixed motive continuum in a given period. Where the regime exists along the continuum depends on preferences of each actor.⁶⁵ Numerous influences affect preferences including, but not limited to, views of an issue-area, expected behaviors, international and regional political influences.⁶⁶ Combining the preferences produces various degrees of agreement and various levels of barriers in an issue area. The degree of agreement and levels of barriers constrain relationships and result in different levels of competition or cooperation in a regime. By identifying the areas of preference conflict, regime theory can assist in moving the relationship closer to harmony, while realistically never achieving the abstract harmonious end. In this, the author posits that three types of mixed motive regime types

⁶² Thomas C. Schelling, *The Strategy of Conflict*, (Cambridge Mass.: Harvard university, 1980), 89.

⁶³ Thomas Gehring, “The Theory of International Regimes,” 34.

⁶⁴ Thomas Gehring, “The Theory of International Regimes,” 34.

⁶⁵ Thomas Gehring, “The Theory of International Regimes,” 34.

⁶⁶ Thomas Gehring, “The Theory of International Regimes,” 36-43.

exist, classified as *Negative*, *Neutral*, or *Positive* depending on where the regime falls on the continuum as indicated in Figure 1.⁶⁷

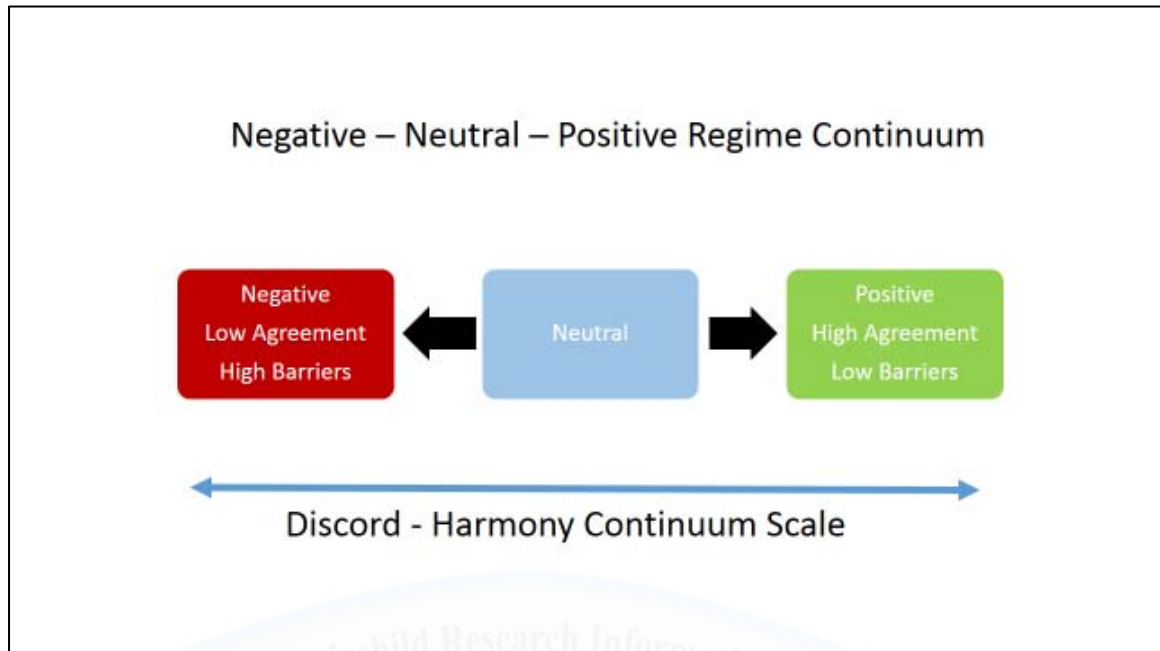


Figure 1. Negative-Neutral-Positive Regime Continuum Scale (Source: Authors original work)⁶⁸

A *Negative regime* defined by high barriers and low agreement, falls closer to discord with increased levels of competition. A *Neutral regime* falls in the middle of the continuum with various barrier and agreement levels. In the middle, competition and cooperation are balanced. The precarious balance can shift in either direction based on changes in the internal or external environment of either state. When the regime falls closer to the harmony end, represented by high agreement and lower barriers, then a *Positive regime* exists. Where the regime exists along that continuum is dependent upon numerous factors that influence sensitivity to relative gains.

A state's relative gain sensitivity coefficient depends on numerous factors identified by Joseph Grieco. The items include: 1) states response to convertibility estimates of pay-off gaps into influence within a particular joint arrangement; 2)

⁶⁷ Figure 1 is a graphical depiction of three unique typologies for regimes based on a combination of works including Gehring, "The Theory of International Regimes," Andreas Hansclever, Peter Mayer and Volker Rittberger, "Integrating Theories of International Regimes," *Review of International Studies*, Vol. 26, no. 1, January 2000, and Joseph Grieco's "Realist Theory and the Problem of International Cooperation: Analysis with an Amended Prisoner's Dilemma Model," *The Journal of Politics*, Vol. 50, No. 3 (Aug., 1988).

⁶⁸ The author recognizes that situations will arise which do not meet both agreement and barrier levels as attributed to each classification depicted in Figure 1.

estimates of the cross-venture fungibility of bargaining power derived from jointly produced gains; 3) time horizon, where a long time horizon translates into higher sensitivities; 4) previous experiences of the state; 5) differences in issue-areas, where security or military matters will garner a higher sensitivity and economic garners a lower sensitivity; and 6) that adversaries equal high sensitivities and allies equal lower sensitivities.⁶⁹ Additionally, Grieco adds a decline in relative state power increases sensitivity.⁷⁰ The factors evident in a relationship occur because of international order influences and the behavioral interaction of each individual state in relation to others. As such, increases or decreases in relative gain sensitivities in a regime is a temporal manifestation of these influential characteristics, and means that regimes can exist in different places across the continuum throughout the history of a relationship.

The sensitivity to relative gains poses a major challenge for states in the international order. As a common good, absolute gains raise each states wealth and power. However, it is the perception of utility that changes the equation. If a state's wealth and power increases, but simultaneously negatively affects its relative position, it often will eschew the mutually beneficial gains.⁷¹ It is a matter of degree not kind. The consequence of this, says Waltz, is that "even the prospect of large absolute gains for both parties does not elicit their co-operation so long as each fears how the other will use its increased capabilities.... a state worries about a division of possible gains that may favour others more than itself."⁷² In the end, relative gain sensitivities dictate the levels of cooperation or competition that exist between states in any issue area.

SUMMATION

Understanding changes and exchanges between the states in the international system demands a deeper understanding of the relationships of those actors. System theories can only provide generalized predictions and explanations. In order to gain a

⁶⁹ Joseph M. Grieco, "Realist Theory and the Problem of International Cooperation: Analysis with an Amended Prisoner's Dilemma Model," *The Journal of Politics*, Vol. 50, No. 3 (Aug., 1988), 610-611.

⁷⁰ Joseph M. Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism," *International Organization*, Vol. 42, No. 3 (Summer, 1988), 501.

⁷¹ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?* Editors Simon Bromley, Maureen Mackintosh, William Brown, and Marc Wuyts, (London ; Sterling, Va: Pluto Press in association with the Open University, 2004), 115.

⁷² *Making the International: Economic Interdependence and Political Order: a World of Whose Making?* 278.

deeper understanding, a myriad of variables confront analysts. Selecting one necessarily invites debates about the efficacy of the study. However, like every problem, analysis must have a starting point. From that starting point, research can further the findings to expand, validate, or discount the conclusions. The starting point for this analysis is economics and how relative gain sensitivities affect US-India regimes.

As mentioned before, “Any system-level analysis will necessarily be incomplete.”⁷³ Keohane and Nye understand that states’ interdependence is a product of not only the system in which the states exist, but also states interactions. This study attempts to delve deeper into the India-US relationship as it has developed over the past twenty years and provide a meaningful assessment for future interactions. The study analyzes the past and present in an attempt to present a valid framework for regime building between the US and India. The implications included in the assessment are critical for states understanding of regime development in the current international order.

From a foreign policy standpoint is the concern of sovereignty and autonomy in a condition of anarchy. “While states retain their autonomy, each stands in a specifiable relation to the others.”⁷⁴ States seek to manage relations in their favor; therefore, progressing from competition to cooperation entails understanding the dynamics of the relationships. The analysis has to concentrate on incentives, decisions, and self-interests over a period where these factors change. Based on the changes, the analysis should provide indicators about the efficacy of regimes and the importance of relative gain sensitivities to international relationships.

Additionally, tracing US-India relational behaviors should provide indicators of a regime’s influence on those incentives, decisions, and interests. The regime effects, or lack thereof, should be evident in state policy. The problem that Keohane addresses is, “International coordination of policy seems highly beneficial in an interdependent world economy, but cooperation in world politics is difficult.”⁷⁵ Relative gain sensitivities strain cooperation. “Cooperation requires that the actions of separate individuals or organizations-which are not in pre-existent harmony-be brought into conformity with one

⁷³ Keohane, and Nye, *Power and Interdependence*, 263.

⁷⁴ Waltz, *Theory of International Politics*, 100.

⁷⁵ Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 49.

another through a process of negotiation, which is often referred to as ‘policy coordination.’”⁷⁶

Negotiation requires states to give and take, and how much either side is willing to do either significantly influences relative gain sensitivities. The resultant action means that, “*intergovernmental cooperation takes place when the policies actually followed by one government are regarded by its partners as facilitating realization of their own objectives.*”⁷⁷ Discord, cooperation’s antithesis, appears when one state does not comprehend another’s capabilities and influences. Discord increases when political entities drive towards their own objectives without regard for others. Bringing policies in line with a partner’s can achieve cooperation, as long as the policies benefit the partner’s objectives. Identifying the objectives and the impediments to cooperation is the goal of interaction. The positives and negatives associated with these characteristics play important roles in building relationships and require extensive evaluation. The US and India have a contentious relationship in this regard, and allows points for analysis.

Michael W. Doyle offers a challenge by stating that, “We should be expanding on the research in political economy, examining whether liberal ideas, institutions, and interests make a difference in trade, investment, and financial disputes.”⁷⁸ The goal of this study is to accept the challenge, and determine if the effects of relative gain sensitivities on regimes provide an answer to the challenging and complex problem; however, the study does not intend to provide a model suited for all economic relationships.

The US and India have the requisites for an accelerated economic regime, but today the relationship has reached an apogee. The study seeks to reveal the reasons why the apogee has been reached, in many eyes, prematurely. The assessment indicates that the states require breaking of old ways of international relations and attempt a different approach. The approach needs to be multifaceted and focused on combining the economic power of both nations. For analysts and states “to understand patterns of cooperation...we need to examine actors’ expectations about future patterns of interaction, their assumptions about the proper nature of economic arrangements, and the

⁷⁶ Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 51.

⁷⁷ Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 52.

⁷⁸ Doyle, *Ways of War and Peace: Realism, Liberalism, and Socialism*, 286.

kinds of political activities they regard as legitimate.”⁷⁹ Managing future expectations starts with examining the past.



⁷⁹ Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, 56.

Chapter 3

The Blind Men and the Elephant: US-India Relations 1991-2001

Ultimately, foreign policy is the outcome of economic policy.

India's Prime Minister Nehru Speech to the Constituent Assembly, 4 December 1947

Peace, commerce, and honest friendship with all nations; entangling alliances with none.

President Thomas Jefferson, 1st Inaugural Speech

The first epigraph above from Prime Minister (PM) Jawaharlal Nehru places an indelible stamp on the character of IR since the end of World War II. Whether one calls the phrase prescient or just an astute understanding of IR changes, the bottom line is that he was correct. The post-WWII economic international system, primarily established and backed by the US, elevated the importance of economic relations and multilateral institutions. Nehru understood that India must be economically strong in order to compete in the international economy. Amit Gupta states that, "Nehru's foreign policy was based on the premise that while India was a poor country it was a great one that had the right to be a prominent actor in international affairs."¹ With that in mind, Nehru formulated India's vision to achieve its destined position in the international order.

Numerous attempts to reform India's economy during the four decades preceding 1991 failed to bring India to prominence. In 1991, India started economic reforms that came to signify India's departure from a past of economic backwardness with a promise to propel it into prominence. The subsequent epigraph above, penned shortly after the US independence from Britain, seems to be a mantra for budding democracies, where India's foreign policy exhibited similar qualities. The time had come for India to rise to a global power status, but would it capitalize on the opportunity by throwing off the inhibitors of progress? More importantly, would the US as the sole superpower encourage the rise? The answers are the focus of this chapter.

INTERNATIONAL ORDER

A significant change in the international order occurred in 1991 when the USSR dissolved. Since the middle of the 20th century, the US and the USSR locked horns in an

¹ Amit Gupta, *Global Security watch—India*, Global Security Watch, (Santa Barbara, Calif: Praeger, 2012), 2-3.

ideological struggle for influence and power throughout the world. The ideological blocs of communism and capitalism divided the world. By virtue of their status, the two great powers shaped the bipolar international order, where lesser powers either aligned with one side or remained neutral. Neutrality enabled states to work along the great power divide. Amit Gupta relates that PM “Nehru subsequently sought to create a foreign policy that would allow India to use the goodwill of both emerging global power blocs to help in the advancement of India” where it benefited “economically and politically from such arrangements.”² The fact remains that in a bipolar international order, where the two power states are in competition for influence, leaning towards one state over another will result in a disaffected relationship with the other.

The US support of Pakistan and China, forced India almost by default, to side with the USSR. Sumit Ganguly figures during the Cold War, India “was not useful in achieving America's grand strategic goals and, in fact, was perceived as actually helping the Soviets to undermine them.”³ Therefore, during the Cold War, the US viewed India as a socialist, Third World nation coming out of the grips of colonization, and not a major international competitor. In addition to India's laggard economic progress, it did not pose a military threat, so the US “largely ignored” it politically.⁴ The political psychology of this arrangement would set the base for relations during this post-Cold War transition. Before the transition, India's “inherited legacy of anti-colonialism and anti-imperialism” reinforced its close relationship with the USSR, socialism, and the Non-Aligned Movement (NAM).⁵ After the transition, India's relationship with the USSR declined, as did its reliance on socialism, but NAM retained a strong hold on policy.

During the Cold War, neutral states found a collective voice in NAM, where they balked at aligning with either the US or USSR, but engaged each one individually. A prominent leader of the NAM included India's PM Jawaharlal Nehru. India's size and relative stability following independence enabled it to become one of the greatest non-

² Gupta, *Global Security watch—India*, 2.

³ Sumit Ganguly, *India's Foreign Policy: Retrospect and Prospect*, (New Delhi: Oxford University Press, 2010), 258.

⁴ Sumit Ganguly, *India's Foreign Policy: Retrospect and Prospect*, 258.

⁵ C. Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, (New Delhi; New York: Penguin Books, 2005), 58.

aligned powers during this time. India and all its neighboring countries, save Myanmar and China, were part of the NAM. For the US, even though NAM arose as a global phenomenon, NAM states formed a regional component of IR, such as Asian, African, and Latin American NAM groupings.⁶ As a result, the US was predisposed to view India primarily through a regional lens, rather than a global one. With the fall of the bipolar order, NAM remained even though the mission essentially expired.

In the new unipolar international order, NAM struggled to find a new mission. The new collective mission focused on power inequalities between developed states, primarily the US, and developing states.⁷ Developing states felt the US held an unfair advantage in almost every aspect of modern political instruments of power (IOP). The NAM countries found a new unifying voice in opposing the US internationally. India's determination to be the global voice of developing states reinforced the US perception that India was a low-tier regional player. The US continued to categorize India as a minor actor with little influence.⁸ This perception retarded India's goals to become a prominent international power, especially in the early days of the post-Cold War transition.

The post-Cold War transition challenged all states in the international system differently. George H. W. Bush was the incumbent US president when the USSR dissolved and India began their epic transition. The monumental international order change garnered the bulk of the President's attention, where South Asia was still not a priority.⁹ George H. W. Bush was coping with the immediate assumption of the sole superpower in a unipolar international order with all the advantages and disadvantages. A unipolar international order is unique, as it is uncommon in international history to have a single hegemon in the international order. "India, like all other countries in the aftermath of the Cold War, was uncertain about the future shape of the new world

⁶ The assertion posited is inferred from the different regional contexts in which each of the groupings existed.

⁷ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 31.

⁸ Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, *India & America after the Cold War: Report of the Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment*, (Washington, D.C: Carnegie Endowment for International Peace, 1993), 7.

⁹ David Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, (Oxford ; New York: Oxford University Press, 2011), 167.

order.”¹⁰ The uncertainties were exponential for India due to its relatively alienated position *vis-a-vis* the US; however, India’s position in US policy changed when President William J. Clinton came to power.

The status quo relationship started a turn for the better under President Clinton’s administration. India began to gain US attention; however, the attention was not as friendly as India desired or expected as a perceived prominent international actor. Mohan contends that, “The end of the cold war raised expectations in India of a new relationship with the United States, but these hopes in the early 1990s were quickly dashed as the United States drifted towards a strategy that sought to pressure India rather than befriend it.”¹¹

The US viewed South Asia as one of the global tinderboxes that could ignite quickly. US prodding of India resulted due to India’s relative standing in the international order, where the US expected it to take a more positive leadership role. Instead, India held to a perceived negative leadership role.¹² The negative and positive qualifiers indicate US perceptions, which differed from India’s and other NAM states. The negative aspect relates to a state’s adherence to challenging the immediate international order, where a positive role would enhance the future international order.¹³ As a result, both the US and India were focused on short-term goals at the detriment of forging a long-term strategic vision.

Focusing on short-term goals led to inconsistent policy actions writ large. A perfectly plausible reason for this view is that the US, faced with a shifting international order, had trouble devising a long-range plan and focused solely on short-term issues. Arguably, the global focus with short-term aims paradigm developed during this period and continues today.

In an age where the international order was in transition, it became hard to find an international consensus on global matters and inconsistencies resulted. The inconsistencies were not just the providence of the US, but due to its power superiority, the spotlight often focused on US action or inaction. To reduce the uncertainty of

¹⁰ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 167.

¹¹ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 11-12.

¹² Sumit Ganguly, *India’s Foreign Policy: Retrospect and Prospect*, (New Delhi: Oxford University Press, 2010), 258.

¹³ *India as an Emerging Power*, Editor Sumit Ganguly, (London ; Portland, OR: Frank Cass, 2003), 26.

inconsistency, “the Clinton administration led the charge with its expansive notion of multilateralism and the use of international institutions and American military force to deal with the manifold crises within the developing world.”¹⁴ One of those areas was India’s neighborhood; however, the attention South Asia received waxed and waned over this decade.

When South Asian issues heated up, US interest increased; however, the US focus quickly shifted to other global tinderboxes once those crises subsided. For South Asian states, the inconsistent policies rang of colonial predation and they felt that the US was wielding its self-serving power over the states heavy-handedly. The seeds of international dissent towards US policy increased during this period since “the thrust of a bipartisan American policy towards the UN became clear— multilateralism where convenient, unilateralism where necessary.”¹⁵ Unilateral actions directly challenged state sovereignty, especially as the attention towards intervention missions increased.

Intervention missions became an important part of US and UN strategies during this period. Predominantly, interventions occurred in developing states, where humanitarian crisis concerns rose as a priority global threat. An increasing UN demand for international openness, supported by the US, meant a potential increase in unilateral interventions in sovereign affairs.

All states are concerned with sovereignty, but developing states hold an especially strict interpretation of sovereignty and quickly defend any attempt, verbal, or physical, to violate the sanctity of their borders.¹⁶ As each state is responsible for the actions within their borders, sovereignty entangles in international disputes over responsibility. If a state did not or could not exercise state security responsibilities, the US viewed these issues as threats to national security and US values. This increased India’s fears of losing sovereignty, resulting in caution towards collective action with the US.¹⁷ The international order changes challenged all states in different ways resulting in specific regional influences factoring heavily into the US-India relationship.

REGIONAL INFLUENCES

¹⁴ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 45.

¹⁵ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 46.

¹⁶ George J. Gilboy and Eric Heginbotham, “Double Trouble: A Realist View of Chinese and Indian Power,” *The Washington Quarterly*, Summer 2013, 128.

¹⁷ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 12.

From the days of India's independence, its relations with other states have remained somewhat consistent based on where states fall in the international order. Jefferson's guidance identified earlier is evident in India's policies, where it "believed a new world order could be structured on the basis of the first principles of peaceful coexistence and international cooperation through multilateral endeavours."¹⁸ India can be likened to a continental island, where it coexisted among other states, but was content to deal with issues based on their own self-sufficiency.¹⁹ Self-sufficiency led to an inward directed focus and kept India from effectively engaging with the globalized economy.²⁰

India's island problem came to the fore when India faced a looming internal economic crisis at the same time it lost its primary benefactor, the USSR. These factors forced India reluctantly to look beyond its borders and integrate with the external environment.²¹ "The end of the Cold War in some ways liberated India's foreign policy and allowed it to choose its friends without external pressure. The result was a dual approach that emphasized cordial (but not necessarily cooperative) relations with the United States while also building partnerships with countries in the region, particularly China."²²

India's neighborhood posed significant limitations, as almost every state on its periphery was economically depressed and politically fragile.²³ These conditions affected both states, but the US as an extra-regional hegemon had its attention divided globally. The US viewed India as a regional actor, with significant regional challenges. The regional focus served to complicate the US-India relationship, especially in regards to Pakistan.

India existentially viewed Pakistan as its primary security rival. The constant attacks and rhetoric flowing across the Western Indian border, kept a tense situation

¹⁸ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, xxi

¹⁹ *The United States and Asia: Toward a New U.S. Strategy and Force Posture*, Project Air Force, (Santa Monica: Rand, 2001), 209.

²⁰ Aspen Institute India Joint Study Group Report, "The United States and India: A Shared Strategic Future," Council on Foreign Relations, September 2011, 8.

²¹ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 32.

²² Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 167.

²³ Ashley J. Tellis, "India as a New Global Power: An Action Agenda for the United States," (Carnegie Endowment for International Peace, 2005), 46.

always at the forefront. For the US, the India-Pakistan issue was a regional, low-level affair, primarily contained to the borders between the states. In fact, one of the major complaints coming from India was the US insistence on hyphenating the India-Pakistan issue.²⁴ India's desire for international prominence demanded a singular focus from the US. The US, however, was somewhat indifferent to the regional issues and India in general due to the aforementioned relationship characteristics. "This relative indifference towards the region would evaporate a few months into 1998."²⁵ The regional nuclear power equation changed everything in the region.

In early 1998, India successfully tested a nuclear weapon and became a full-fledged nuclear power.²⁶ The tests upset the nuclear balance in the world and sent ripples of condemnation throughout the international community. While the International community was adjusting to the increase in nuclear-armed states, Pakistan subsequently conducted their own nuclear weapon test about two weeks later.²⁷ Now a nuclear epicenter existed centered on the Kashmir territory where the three nuclear states of China, Pakistan, and India all claimed portions of the area.²⁸ The US sanctioned both India and Pakistan for the tests, but the South Asian dynamic had forever changed the face of IR. Sitting outside the borders of both Pakistan and India, and outside the NAM, China silently watched with intense curiosity.

China stands out as one of the states on India's border that is not a security or economic concern because of frailty, rather China is a concern for exactly the opposite reasons. Therein lies a dilemma--China, rising faster than India, poses an economic and potential security problem for India. India's traditions of fence sitting between two powers began to surface again, which further encouraged the US to relegate India to a lower-tier position in the international order. India's goal of a multipolar world seemed to line up with China's goals; however, "New Delhi suspected that Beijing's support to a

²⁴ Ashley J. Tellis, "India as a New Global Power: An Action Agenda for the United States," (Carnegie Endowment for International Peace, 2005), 15 and Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 110.

²⁵ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 167.

²⁶ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 49.

²⁷ K. Alan Kronstadt, "India-U.S. Relations", *Congressional Research Service*, The Library of Congress, 101 Independence Ave, SE, Washington, DC, 30 Jan 2009, 18 and Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, (Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, 2007), 236.

²⁸ Denise Youngblood, Ph.D, Editor in Charge, 2013 Country Review, India, 126.

multipolar world was only a brief halt on the way to a bipolar world with Beijing as the other pole.”²⁹

India’s prominent global aspirations began to fade into a developing bipolar international order, where its own actions seemingly forced such a situation. The desire to revise the international order was beginning to backfire as India’s position started to slip.³⁰ Therefore, “India at once sought to deepen its ties with the United States and expand its own freedom of action by seeking cooperative action with other second-tier powers in the international system.”³¹ The commonality of colonization scars and the desire to distribute the share of power and wealth equitably in the international order eased India’s enlistment of Asian states in its quest for a multipolar order.³²

For India, multipolar does not mean all states are equal; rather it is contingent on the requirement that it is one of the strong poles in the order. In actuality, there are two balance of power contests developing simultaneously during this period. The first one is international and the second one is regional. It is the nexus of these two contests that offers an insight into the relationship between the US and India, and more broadly of all states in the international order. Mohan identifies this difference and states that “at the international level, India rejected the notions of balance of power and exclusive spheres of influence; within the region it clung to them.”³³ Since the international order had not fully settled during this period, discussion about the global and regional balance of power dichotomy occurs in the next chapter. It is sufficient to identify that through these actions, India developed a foreign policy that was hard to conceptualize and ever harder to articulate.

India’s competitiveness in security and economic matters increased regional fears of cheating and relative gain-gap sensitivities. Mohan states, “India was all for multilateralism at the global level, yet in the region it insisted on bilateralism.”³⁴ To be

²⁹ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 55 and *India as an Emerging Power*, Editor Sumit Ganguly, (London ; Portland, OR: Frank Cass, 2003), 29.

³⁰ *India as an Emerging Power*, Editor Sumit Ganguly, (London ; Portland, OR: Frank Cass, 2003), 26.

³¹ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 52.

³² *The United States and Asia: Toward a New U.S. Strategy and Force Posture*, Project Air Force, (Santa Monica: Rand, 2001), 5.

³³ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 239.

³⁴ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 239 and Gupta, *Global Security watch—India*, 3-4, and Ramesh Chandra Thakur, *The Politics and Economics of India’s Foreign Policy*, (London : New York: Hurst ; St. Martin’s Press, 1994), 12.

more precise, multilateral diplomacy remained a primary mechanism for dealing with great power states, while reserving bilateralism for those states deemed as lesser or equal powers. In realist terms, this bargaining strategy is attractive, but places limits on cooperative long-term aims.

In a realist-interpreted bargaining situation, a state desires a way to defect if necessary or spread the relative gains over multiple partners.³⁵ In India's case, the US and China are prime candidates for multilateral interaction. The more the three countries interact, the better the situation appears for India. Therefore, "India must remain committed to a substantial political engagement with both the United States and China" and not demonstrate favoritism towards either.³⁶

Following the aforementioned rationale, India's power position in the region did not allow it to side unilaterally with either the US or China. Conversely, in bilateral relationships, the probability of defection increases as the penalty for defection decreases, especially if the one defecting is the stronger state in the power equation. Indian bilateral interaction with poorer neighboring states and with peer states in the greater Pacific area, such as Japan, South Korea, and Singapore fits this rationale.

To sum up, the international order and external influences changed the manner in which India dealt with states in the international order. India reluctantly moved from the past by reaching out to those states that could further its interests. India began to understand that the interconnected world meant deeper integration with external players. India's past insecurity over sovereignty, anti-imperialism and inefficient NAM stances began to erode slightly. As many developing states are sensitive that other states will impede on their fragile sovereignty, India understood that relinquishing some sovereignty in security and economic issues could serve to enhance its sovereignty.

With that, India began "mobilizing international support on issues of concern for itself—expanding international norms against terrorism and the links between political violence, narcotics trafficking and organized crime. Multilateral diplomacy was finally

³⁵ Joseph M. Grieco, *Cooperation among Nations: Europe, America, and Non-Tariff Barriers to Trade*, (Cornell Studies in Political Economy. Ithaca: Cornell University Press, 1990), 228.

³⁶ Gary K. Bertsch, Seema Gahlaut, and Anupam Srivastava, *Engaging India: US Strategic Relations with the World's Largest Democracy*, (New York: Routledge, 1999), 39.

becoming the servant of India's strategic interest, not its master."³⁷ The idealism adhered to during previous decades, gave way to a new pragmatic, realist approach.³⁸ India's new realpolitik approach to IR abutted against a US hybrid IR approach that included a desire for Liberal Institutionalism, backed by traditional realpolitik.³⁹ The states shared common security threats and common governance; however, the US found it difficult to identify India's role in its foreign policy.

STATE INTERACTION

Harrison and Kemp presented two major arguments in a 1993 study in the section titled '*Why India Matters*'.⁴⁰ The two arguments reveal the struggle between realist and liberalist political thought. First, from a realist perspective, it was argued that the "US should actively seek to prevent India from becoming a major power and from achieving regional primacy in South Asia."⁴¹ This perspective seemed harsh, especially since India was not a foe and the two states shared common security concerns and values, which formed the base for the opposing argument. The second argument based in a liberal perspective recognized the shared values and geopolitical interests, and argued that India as a powerful friend and partner in "multilateral action" could achieve stability in regional and global problems.⁴² In many respects, India determined the path chosen.

As presented, India's foreign policy reformation came about due to changes in the international order, influenced by regional considerations. The loss of its primary benefactor and an economic system in shambles forced India to make hard decisions. Indian options offered by Raja Mohan included whether to bandwagon with or power balance against the US. "Both these approaches, however, called for alliance-like relations with either the United States or its potential competitors," which was contrary to

³⁷ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 47.

³⁸ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 266.

³⁹ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 166.

⁴⁰ Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, *India & America after the Cold War: Report of the Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment*, (Washington, D.C: Carnegie Endowment for International Peace, 1993), 25.

⁴¹ Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, *India & America after the Cold War: Report of the Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment*, 25.

⁴² Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, *India & America after the Cold War: Report of the Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment*, 25.

traditional Indian policy.⁴³ For India to bandwagon, it would have to give up historical predilections towards anti-imperialism, anti-colonialism, and NAM rhetoric that had served its pursuit of autonomous sovereignty. While India's policy started to denounce these aspects, memories are hard to forget and they continued to plague its relationships.

Pure balancing did not prove a more viable option as "any realistic assessment of the international distribution of power suggested that the United States was way ahead of the others in almost all indicators of power. Even if the other powers joined together, they would still be unable to balance the economic and military might of the United States."⁴⁴ Another balancing option fit the Indian realist *modus operandi* better and "called for an active pursuit of a multipolar world in which India could establish itself as one of the major powers of the international system without recourse to an alliance with any one of them."⁴⁵ The final and least attractive option called for retrofitting NAM in order to be relevant to the current international order.⁴⁶ In the end, India chose none of these as its primary direction, but instead melded pieces of each, which served to complicate matters further. Understanding the formulation of Indian policy entails a discussion of international security and economics, with the vestiges of NAM woven throughout.

SECURITY

Under President Clinton, the US increasingly sought India's help in achieving its goals in South Asia. In that vein, the US identified India as a "big emerging market" where US economic interests could be enhanced.⁴⁷ However, short-term security crises swiftly diverted the required long-term economic attention so desperately needed. In this case, it was mutual threats that defined cooperative security concerns, where traditionally, security concerns result in a competitive security dilemma between the states. In the latter case, the states compete against each other resulting in a zero-sum game.⁴⁸ The US-India cooperation in the security regime does not equate to a zero-sum game.

⁴³ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 49.

⁴⁴ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 54.

⁴⁵ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 49.

⁴⁶ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 49.

⁴⁷ Ashley J. Tellis, "Opportunities Unbound: Sustaining the Transformation in U.S.-India Relations," Carnegie Endowment for International Peace, 2013, 3.

⁴⁸ See Robert Jervis, "Cooperation Under the Security Dilemma," *World Politics*, Vol. 30, No. 2 (Jan., 1978) for more discussion on the security dilemma.

Even though the security focus was short-term, the relative gains sensitivity gap was large allowing for positive gains in the relationship. Simultaneously, however, the short-term focus on security issues stifled the economic regime. Cooperation did occur, but a relational environment defined by short-term aims plagued it. In addition, the US retained a reluctance to identify India as anything other than a regional actor internationally. India prioritized the security regime because it assessed that economic development would naturally follow from regional stability.⁴⁹ In other words, security was the means to enable self-secured economic vitality. Economically, time seemed to be on India's side as long as its security was assured. The US encouraged development of the security regime as well since India's regional challenges equated to US global challenges.⁵⁰

US-India security interests converged in matters of Asian stability, Indian Ocean security of maritime and naval traffic, as well as unhindered supply of resources from the Persian Gulf region.⁵¹ The security regime improved due to these mutual threats and US desires to increase India's security presence in the region. Without the USSR, who had "provided 80 percent of India's defence needs," India required external security assistance.⁵²

The US position enabled it to support India's defense needs, defining the basic characteristics of the relationship during this period. Accepting US assistance was contrary to past actions, where "India sought to keep the Western powers out of the Indian Ocean region. In the new situation, political cooperation with the United States [became] central to India's attempts to realize its own primacy in the region."⁵³ Even though security interests converged, the manner in which each viewed the situation frustrated the strategic dialogue.

The primary focus of the security regime focused on the existing animosities between India and Pakistan. The US saw the India-Pakistan problem holistically, while

⁴⁹ Gary K. Bertsch, Seema Gahlaut, and Anupam Srivastava, *Engaging India: US Strategic Relations with the World's Largest Democracy*, 197.

⁵⁰ Aspen Institute India Joint Study Group Report, "The United States and India: A Shared Strategic Future," Council on Foreign Relations, 3.

⁵¹ Gary K. Bertsch, Seema Gahlaut, and Anupam Srivastava, *Engaging India: US Strategic Relations with the World's Largest Democracy*, 196-197.

⁵² Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 122.

⁵³ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 206.

India naturally viewed the problem solely as a Pakistan issue. US attempts to rectify the issue through engagement with both sides concerned India. Mohan concludes that, “What from the American viewpoint appeared as an attempt to address the problems of stability in the subcontinent were seen in India as inimical to two of India’s core national security interests—its territorial integrity and the preservation of the nuclear option.”⁵⁴ By engaging Pakistan, the US increased India’s fears over sovereign and nuclear rights.

During this time, democratic values began to play a role in differentiating India from other nuclear states. The Clinton administration identified India as a nuclear democracy, which reduced fears of nuclear proliferation and improved cooperation to a degree.⁵⁵ Ashley J. Tellis relates that the degree of cooperation reached its limits of utility due to India’s need for dual use technology.⁵⁶ The US was not ready to loosen the reins on full security cooperation due to the historical animosity that existed between the nations. In addition, sanctions enacted by the US on India in response to the nuclear test complicated the security and economic relationship.

The US sanctions seemed to be more of a formality than a punishment.⁵⁷ The US needed to demonstrate that it took its nuclear responsibility serious, as the international community expected. Tellis adds that the effect of sanctions were more psychological than materially damaging to the relationship.⁵⁸ In a relationship plagued by psychological baggage of wrongs and misplaced expectations, these are significant issues. While it may have been more psychological, that aspect actually damaged the material since it affected the ability of the states to develop and nurture the economic regime.

Harkening back to Nehru’s proclamation that started this chapter, in 1998 the ruling Congress party argued that in the new international order “economic commerce and trade are the new languages of diplomacy.”⁵⁹ In other words, security intrinsically

⁵⁴ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 88.

⁵⁵ Gupta, *Global Security watch—India*, 77.

⁵⁶ Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, (Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, 2007), 235.

⁵⁷ Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, 236.

⁵⁸ Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, 236.

⁵⁹ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 35-36.

ties economics to the overall welfare of the state. The Narasimha Rao government, guided by “the technocrat Manmohan Singh as his finance minister...instituted far-reaching economic reforms to make India more competitive and to attract foreign investments.”⁶⁰ The promise of Indian economic potential and reforms raised US economic interests, albeit modestly.

ECONOMICS

India’s economic transformation began in 1991. “The Narasimha Rao government...recognizing that the economy was in a crisis, sought to carry out a series of structural and market reforms that relaxed previous obstacles to foreign investment in the country and allowed the economy to be rejuvenated.”⁶¹ For India to reap the benefits available in the international economy, domestic economic policies required liberalization. As the architect of the economic reforms, Singh, who would eventually become PM in 2004, was fighting the ghosts of India’s foreign policy past.

Liberalization “proceeded slowly compared” with other developing states due to “political divisions about liberalizing reforms” where a majority “opposed it - out of habit, if not conviction.”⁶² Before the reforms took place, India’s annual rate of growth hovered around 3.5 percent. Criticizing the paltry rate as the “Hindu growth rate,” the Indian economist, Raj Krishna brought the issue to the forefront.⁶³ Indian leaders understood that to overcome decades of poor economic importance, they would have to integrate better with the international economy, and that required working with the US.

A constant tension exists in the US-India relationship between achieving security and being economically viable. The tension is understandable since IR theory would not predict the US-India security-economic relationship. In chapter 2, Grieco offered that security relationships should achieve low cooperation and economic relationships should achieve higher cooperation. In this case, the opposite appears to be the case. Part of the issue is the way India balances its position.

⁶⁰ Gupta, *Global Security watch—India*, 6.

⁶¹ Gupta, *Global Security watch—India*, 77.

⁶² *Making the International: Economic Interdependence and Political Order: a World of Whose Making?* Editors Simon Bromley, Maureen Mackintosh, William Brown, and Marc Wuyts, (London ; Sterling, Va: Pluto Press in association with the Open University, 2004), 161.

⁶³ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 90.

Tellis and others offer that states strive “whether by internal means or external alliances, to maintain their position and independence in the system.”⁶⁴ Internal balancing had been India’s method of economic balancing, where external balancing took shape in the security arena. In both cases, India tended towards self-sufficient independent measures in the forming of pseudo-alliance relationships. India exhibited caution in both areas to ensure its sovereignty. The internal-external dichotomy is important to identify since Indian foreign policy is based on whether it trends towards internal or external balancing.

Solely using internal means to balance economic potential in globalized markets equates to missed opportunities and reduces economic potential. The globalized nature of the economy increases the importance of external balancing, which creates or increases wealth through the assistance of outside states. The struggle between opening the Indian economy based on necessity and working with the dominant power in the international order caused significant consternation.

India needed “trade, investment, and technology, and the United States is a major source of all three.”⁶⁵ A break with internal economic balancing was required since India’s economic performance during the Cold War was dismal. The Cold War performance “depressed Indian growth and constrained its linkages with the international economy”⁶⁶ and led to “recurrent balance of payment crises and technological obsolescence.”⁶⁷ India needed less dependence and more interdependence in the economic arena.

Raja Mohan, Harrison, and Kemp indicate that India recognized that trade and investment would determine the future, not aid, which required immediate trade policy liberalization.⁶⁸ Foreign aid indicated a dependency, something many developing states

⁶⁴ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?*, 122, and M. L. Sondhi, Prakash Nanda and M. J Akbar, *Rising India: Friends and Foes : Essays in Honour of Prof. M.L. Sondhi*, (New Delhi; Olympia Fields, IL: Lancer, 2007), 125.

⁶⁵ Gary K. Bertsch, Seema Gahlaut, and Anupam Srivastava, *Engaging India: US Strategic Relations with the World’s Largest Democracy*, 198.

⁶⁶ Ashley J. Tellis, “Opportunities Unbound: Sustaining the Transformation in U.S.-India Relations,” 3.

⁶⁷ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?*, 175.

⁶⁸ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, xix, and Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, *India &*

fear, especially with a power gap as large as the one that existed between the US and most of the developing states. One of the main reasons that the US-India economic relationship remained less than stellar is primarily due to India's internal balancing proclivities. Even though the two countries shared security concerns and value-based interests, those interests did not translate into a harmonious economic cooperation, but did lead to improvements in the economic regime.

The economic relationship did achieve some positive results worth mentioning. David Malone states, "Less than three years after the reforms were introduced, foreign direct investment (FDI) started pouring in from American companies such as Pepsi Cola, Coca-Cola, General Motors, General Electric, International Business Machines, and McDonald's (several of which had been forced out of India in earlier decades) and from similar companies in Great Britain, Japan, France, and Germany."⁶⁹

In addition to multinational corporations, state level trade and investments increased modestly during this period. "In 1991, the United States was the largest single-country export market for India, taking 18.9 percent of its exports; and the largest single-country supplier, providing 8.9 percent of its imports."⁷⁰ Even though the numbers seem promising, they were paltry compared to total international trade and investment and led to the assessment that India remained essentially economically unimportant to the US.⁷¹ The US desired further liberalization of India's economy "as the proper path to economic development. India, by contrast, relied on market forces modified by planning and protectionism for its advance."⁷² US concerns in this area led to a cautious approach and integration suffered.

While the US is not above protectionist measures, India's protectionism stifles its economic prowess when and where it needs it the most, creating a hostile environment to

America after the Cold War: Report of the Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, 40.

⁶⁹ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 82.

⁷⁰ Thakur, *The Politics and Economics of India's Foreign Policy*, 170.

⁷¹ Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, *India & America after the Cold War: Report of the Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment*, 8 and Ashley J. Tellis, "India as a New Global Power: An Action Agenda for the United States," (Carnegie Endowment for International Peace, 2005), 52.

⁷² Gary K. Bertsch, Seema Gahlaut, and Anupam Srivastava, *Engaging India: US Strategic Relations with the World's Largest Democracy*, 194-195.

foreign business.⁷³ In 1993, concerns focused on industrial and agricultural infrastructure as dependent variables in India's private sector growth.⁷⁴ Those concerns, however, have drawn the most protectionist measures from India. India has done much in the way of improving local living conditions, such as investing heavily in remote sensing technologies to improve the agricultural sector, but the improvements are for naught if the increased supply of agricultural goods rots because of poor infrastructure.⁷⁵ Additionally, foreign investments could have alleviated some of the issues, but India's overly restrictive "climate for foreign investment" in the 1990s created hesitation by foreign companies to establish a base in India.⁷⁶ The hesitation remained a nagging concern, and when economic reforms and local changes did not pan out or changed for the worse, companies were quick to depart. All these factors placed high barriers on the economic regime resulting in low agreement.

The mutual perceptions each state carried about the other barely changed over their long history. The following quotes spanning fifty years prove this assertion. First, immediately after independence, "The West thought it had enough reasons to treat Nehru as little better than a communist; Nehru thought the West was little better than imperialist."⁷⁷ Fifty years later, Mohan's conclusion is not far removed from the previous one where "The United States tended to see India's economy as backward and impenetrable, and India viewed the United States as economically predatory and inflexible."⁷⁸ These attitudes are not conducive to a long-term economic relationship.

As early as 1993, it was being suggested that the US and India "should look beyond short-term trade disputes and begin to examine possible new types of trading

⁷³ The Heritage Foundation, "Beyond the Plateau in U.S.-India Relations," Special Report from the Asian Studies Center, No. 132, 26 Apr 2013, 18.

⁷⁴ Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, *India & America after the Cold War: Report of the Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment*, 39.

⁷⁵ See Brian Harvey, *Emerging Space Powers: The New Space Programs of Asia, the Middle East and South-America*, (Springer Praxis Books in Space Exploration. Berlin ; New York : Chichester, UK: Springer ; Praxis Publishing, 2010) for more information on India's space program.

⁷⁶ Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, *India & America after the Cold War: Report of the Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment*, 28.

⁷⁷ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?* (London ; Sterling, Va: Pluto Press in association with the Open University, 2004), 149.

⁷⁸ Gary K. Bertsch, Seema Gahlaut, and Anupam Srivastava, *Engaging India: US Strategic Relations with the World's Largest Democracy*, 194-195.

arrangements that would further their respective interests at both the regional and multilateral levels.”⁷⁹ It has been purported that “US interest in India economically...is for the long term,” but the facts have not borne out this assessment.⁸⁰ India’s reluctance to move beyond nonalignment, protectionist measures, and overcome insecurities has led to an inability to describe, let alone identify, exactly where India fits in US foreign policy. To sum up the incoherent relationship as it stood in the 1990’s and will carry over into the next decade, Raja Mohan states:

The incoherence may well stem from the inability of any agency or sector in the United States to define precisely and convincingly why and how Washington should deal with a country such as India, which is neither friend nor foe. In the evolving post-Cold War era, where the lines of cooperation and conflict among nations are far more blurred and where there is no overarching and well-accepted formulation of the nature of the international system, where the gray areas between alliance partners and enemy coalitions are ill-defined, US decision makers will find it problematic to locate India strategically and promote India-US ties.⁸¹

SUMMATION

The US-India relationship that developed between 1991-2001 evolved due to massive shifts in the international order, but was limited by historical animosity and confusion over the proper path for both states to take in relation to one another. The dissolution of the USSR created a riptide of effects that each state had to contend with for different reasons. Transitioning from a bipolar order to a unipolar order meant that the US had to redefine its responsibilities. President Clinton’s desire to incorporate multilateral institutions into the new order seemed as if it would sit well with India. India, who lost its major benefactor in the USSR, now found itself in the anarchic environments of IR and the international economic market without a coherent policy.⁸²

⁷⁹ Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, *India & America after the Cold War: Report of the Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment*, 41.

⁸⁰ Gary K. Bertsch, Seema Gahlaut, and Anupam Srivastava, *Engaging India: US Strategic Relations with the World’s Largest Democracy*, 198.

⁸¹ Gary K. Bertsch, Seema Gahlaut, and Anupam Srivastava, *Engaging India: US Strategic Relations with the World’s Largest Democracy*, 210.

⁸² “At the same time...international trade is governed, to some extent, by states acting both nationally and internationally, and that critics of realism argue that there are forms of governance beyond the state in the international political system, of which institutions such as the WTO, NAFTA and the European Union are examples.” *Making the International: Economic Interdependence and Political Order: a World of Whose Making?*, 500.

India required an outward vision because of two primary economic factors. First, India's prime benefactor ceased to exist, and second, the inward directed economic policies ended in a financial crisis in the subcontinent. In order to reform the backward economic policies meant that India needed to integrate better with the international economy. The US identified India's potential and started the first fruitful dialogue in fifty years. Interestingly, the US and Indian interests converged over security.

The primary focus of the relationship dealt with security matters, especially Pakistan. The US viewed the problem as a joint India-Pakistan issue. India took offense to this typology initially, but over the decade, as relations improved, the hyphen disappeared and each state appeared in US foreign policy as separate but interrelated issues. Without a rival competitor, the US began to undertake intervention missions and push international issues such as human rights.

India balked at the idea of intervention since it resembled a new form of colonization. The scars from British colonization were still fresh and created a dominant anti-colonial and anti-western strain in relations. Helping to sour the relationship further were the nuclear tests conducted in 1998.

Just as relations seemed to be on an upward trajectory, India conducted their nuclear tests, and almost simultaneously proclaimed to be natural allies with the US who condemned the tests.⁸³ The condemnation arose in the form of sanctions, adding to the already fragile economic situation. Turning to IR theory, the following analysis produces a number of interesting points to carry over into the next decade.

Starting with Grieco's relative sensitivity gain attributes covered in Chapter 2, we can derive the positions of both states and work towards a common understanding of the relationship. First, the states are essentially neutral towards each other, neither friend nor foe. Second, the state's share common security threats that fosters a positive relationship. Third, the state's power differential is great, which is a positive since a payoff gap remains wide. Fourth, since the two states are not a security threat to one another, the transformation of the increase in military power is a positive.

⁸³ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 49-50 and *India as an Emerging Power*, Editor Sumit Ganguly, (London ; Portland, OR: Frank Cass, 2003), 16.

Robert Jervis offers the insight that “when a state believes that another not only is unlikely to be an adversary, but has sufficient interests in common with it to be an ally, then it will actually welcome an increase in the other’s power.”⁸⁴ Jervis’s discussion pertains to a security dilemma; however, in the case of the US and India, a mutual security dilemma is absent, but the assertion remains true in a mutual threat security situation. Therefore, a *positive security regime* results due to a higher level of agreement and lower barriers as shown in figure 2.

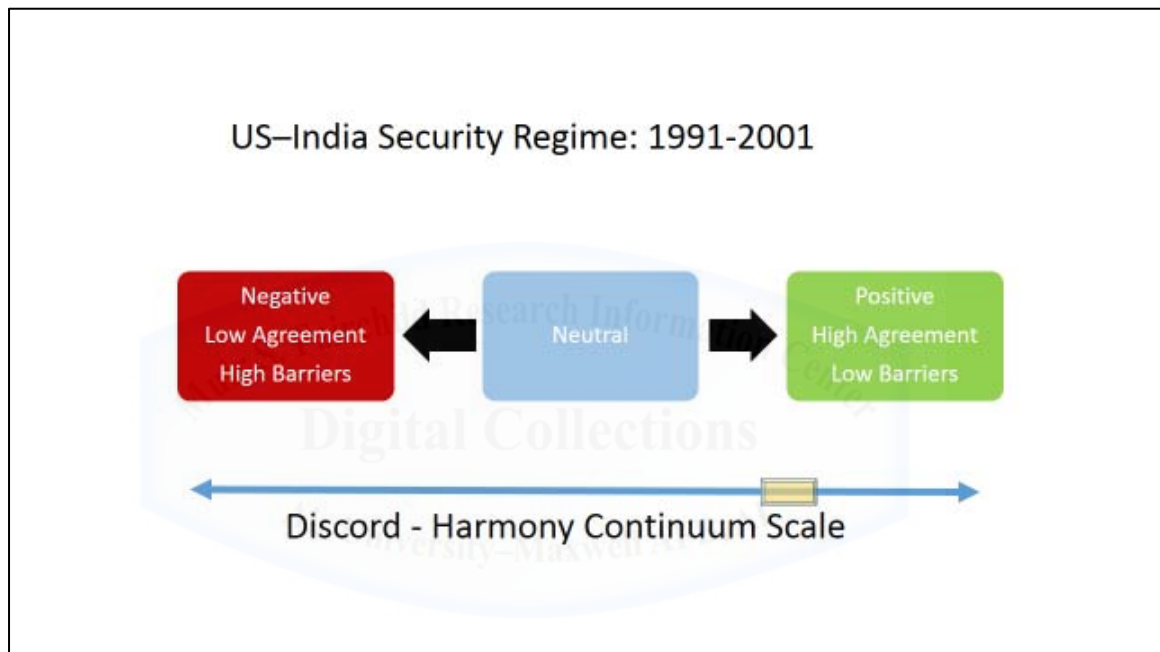


Figure 2. US-India Security Regime: 1991-2001 (Source: Authors original work)

Turning to economics, the relationship takes on a different dimension. Even though IR theory would predict that economic endeavors should produce a positive, in the US-India case, the result does not match expectations. Determining variables that prohibit a positive economic regime allows us to understand the possible limitations or areas where the states should concentrate.

India exhibits risk aversion in the economic realm based on inwardly directed conservative economic policies and historical suspicion. The suspicion is due in part to experiences with colonial powers, to its drive for sovereignty, and over the fear that the

⁸⁴ Robert Jervis, “Cooperation Under the Security Dilemma,” *World Politics*, Vol. 30, No. 2 (Jan., 1978), 175.

US will subjugate India as a junior partner.⁸⁵ India also retains the indigenously derived feeling that they represent the developing nations in the fight against unfair economic practices. These unfair practices, as deemed by the developing nations, constrain their development in order to increase the wealth and prosperity for the developed nations. While recognizing that the US holds the keys to their economic success, India is reluctant to let go of past ghosts, which bars effective and productive economic relations resulting in competition.

When competition subsumes the optimality of cooperative behavior, relative gains rise above absolute gains. “The general point is that as soon as states start evaluating their positions relative to one another, the range of co-operative outcomes that is sustainable is dramatically limited by the fact that absolute gains tend to be converted into zero-sum conflicts.”⁸⁶ The US-India *negative economic regime* results due to high barriers and low agreement. Figure 3 below depicts the economic regime status. The assessment follows what seemed to be a positive trend. “From a turnover of about \$5 billion in bilateral trade in the mid-1980s, the volume tripled to about \$15 billion by the end of the 1990s, a paltry sum in comparison to the Sino-US trade of more than a \$100 billion. Nevertheless, the expanding economic partnership and hopes for a rapid boost to it in the future gave a dimension to Indo-US relations that did not exist earlier.”⁸⁷

Even though the economic regime is not as strong as the security regime, we would expect that the security regime should have positive effects on the economic regime as the relationship endures. Due to the established character of the security regime, many felt that the next logical step was a positive momentum along the continuum in the economic regime. Harrison stated in 1993, “the greatest potential for a rapid improvement in Indo-American relations lies in the economic sphere, and the success of India’s economic reform program will directly condition the climate both for bilateral trade and investment and for U.S.-supported multilateral assistance.”⁸⁸

⁸⁵ *India as an Emerging Power*, Editor Sumit Ganguly, (London ; Portland, OR: Frank Cass, 2003), 22

⁸⁶ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?*, 280.

⁸⁷ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 85.

⁸⁸ Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, *India & America after the Cold War: Report of the Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment*, 46.

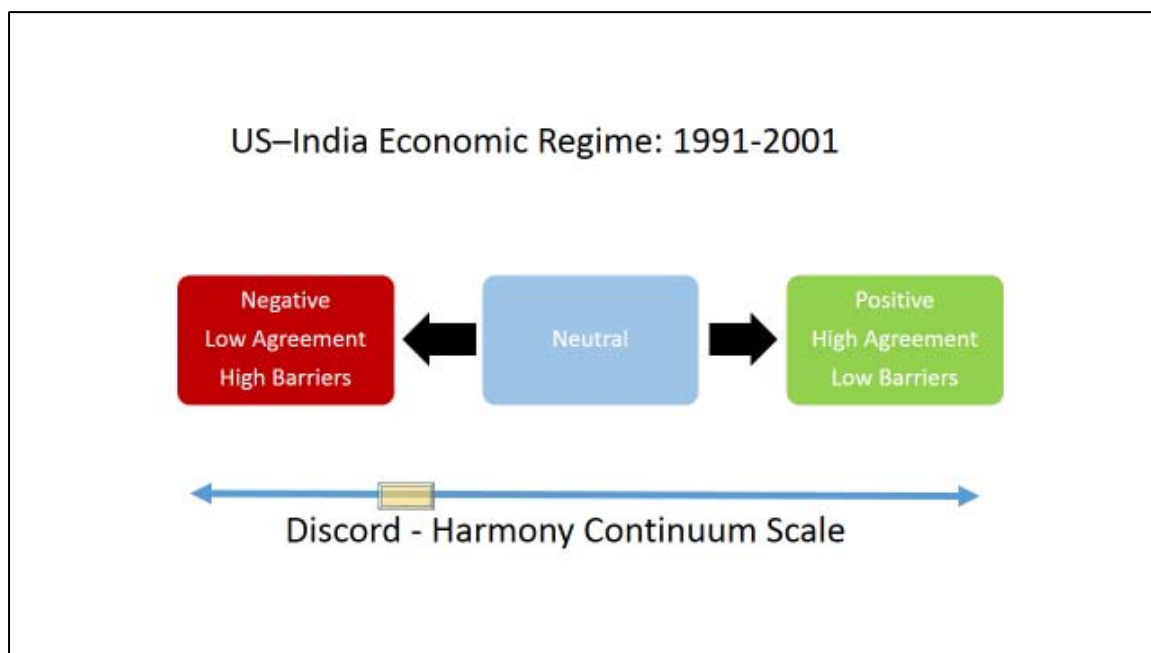


Figure 3. US-India Economic Regime: 1991-2001 (Source: Authors original work)

The issue as indicated earlier is that India ascribes to a foreign policy dominated by multilateral competition with strong states and bilateral cooperation with weaker states. If assessed from a mirror-image vantage, India views the US bargaining from strength with a weaker India. The conclusion would lead to Indian policymakers being slow to react or change to US calls for bilateral agreements. This leads to US disappointment in “the low level of commercial interaction between the two countries and the concern that economics might emerge as a missing element in the growing relationship.”⁸⁹

In the next chapter, the 21st century relationship is analyzed to uncover whether this remained true. As this chapter has shown, major international events can change the international order and shape relations between states as influenced by external factors and internal state interests. All of these factors add dynamic variables to the relationship equation for both states. To sum up this decade in one sentence, the ever-astute Indian expert Raja Mohan states “India has moved from its past emphasis on the *power of the argument* to a new stress on the *argument of power*.”⁹⁰

⁸⁹ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 85.

⁹⁰ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, xxii. (Italics added for emphasis)

Chapter 4
Two Steps Forward, One Step Back:
US-India Relations 2001-Present

The United States is also investing in a long-term strategic partnership with India to support its ability to serve as a regional economic anchor and provider of security in the broader Indian Ocean region.

President Barack Obama

The words captured above in *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* define the US envisioned role for India's leadership responsibilities. Even though the document is defense related, this one statement explicates the US-India relationship. First, the US understands that the two states require a long-term partnership. The number of constraints the two states face bilaterally demands a long-term agenda. In that regard, Blumenthal correctly asserts that the relationship is not just a "diplomatic transaction, rather, it is a long-term investment."¹

Second, the US emphasizes the nature of the relationship as a partnership instead of an alliance. To differentiate, a partnership is the joining of two or more parties to accomplish common goals or objectives, where an alliance entails two or more parties joined in a higher level of unity that usually requires elevated levels of commitment. The difference is in degree, not kind, where partners are friends, but not necessarily allies. Third, the US desires an economically stable India that can provide security in the region through a shared burden of cost. Acknowledging these limitations and constraints defines realistic accomplishments and rises above wishful rhetoric.

Most importantly, the US seizes upon the reality that India is a regional power. Two interpretations arise from this realization. On one hand, the US is setting the partnership goal realistically by acknowledging that India needs to prove its abilities regionally before it can act globally. On the other hand, the US is purposefully constraining India to a regional power. The regional constraint means that the US will not support India in a larger global power agenda. This chapter explores both

¹ Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, (Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, 2007), 307-308.

interpretations as important factors in shaping the US-India relationship. This chapter builds on Chapter 3 conclusions and explores the same dynamics of international order, external influences, and state interactions in the areas of security and economics. It delves deeper into the contemporary international order places a heavier emphasis on the economic regime factors shaping the relationship. Explicitly missing from the analysis is domestic factors.

International structural factors subjugate domestic factors, especially due to the international nature of the economy. In other words, international, regional, and state interactions are the primary drivers of IR, not domestic concerns.² Therefore, the research focuses on the implications of interstate relations, nestled in the international and regional contexts, to derive specific conclusions about the US-India relationship.

Two economically important conclusions arise from this analysis. First, India's foreign policy has prohibited it from effectively competing at the international level. Secondly, the US has kept India regionally constrained and therefore manageable in Asian balance of power politics. These dynamics seem to determine the shape of the security and economic regimes and forge expectations.

INTERNATIONAL ORDER

By 2001, a decade after the massive shift in the international order, states had essentially situated themselves in the system with the US outdistancing its nearest peer. States across the globe experienced some semblance of international order stability, even though multiple regional tinderboxes still smoldered. In fact, for the first time in fifty years, India and the US started a dialogue that *appeared* more as a peer-to-peer relationship, vice a senior-to-junior relationship. Harvesting the fruits of that relationship unfortunately had to wait because of a major international event.

On September 11, 2001, the US experienced the worst terrorist act on its soil in history and the US reaction forever altered the international system. While the September 11 terrorist attacks were immense in scale of human, physical, and economic loss, many states experience frequent terrorist attacks around the globe. A major difference is that the US has a vulnerability sensitivity that can border on the paranoid. Surprise events comparable to the 1941 Pearl Harbor attack have scarred the American

² Domestic concerns affect all states, but securitization of the state in the international system is prioritized.

psyche so much that fears of a 'space pearl harbor' or 'cyber pearl harbor' event continue to plague the state.³

The prognostication that the Pearl Harbor attack would result in 'waking a sleeping giant' was just as salient following the terror attacks in 2001. The initial US response forced a recalculation by many states on how to respond to the US lead. The initial recalculation and subsequent reevaluations changed the character of the international system. Where the existing relationship structure of friends, neutrals, and foes had started to take shape in the post-Cold War transition, the direct and indirect effects of September 11 again changed IR contours.

As the years progressed in fighting the global war against terrorism (GWOT), US unilateral actions began to compound a negative attitudinal shift in the international system. The negative attitudes created rifts in alliances and coalitions, forcing states to contemplate the type of relationship they desired with the US. President George W. Bush reinforced and elevated the 'multilateralism when convenient, unilateralism where necessary' concerns from the previous decade.⁴ Where Clinton directed actions towards value-based issues such as democracy, the Bush administration's all-out assault on entities in the international system that challenged broad-sweeping US national security interests raised a wariness among other states.⁵

European states have predominantly had a positive attitude towards US policy, but those attitudes soured when President Bush took office. In the short period prior to 11 September 2001, "Europeans were shocked" by the unilateral tendencies emanating from Washington and "European anger at American unilateralism reached a crescendo in the wake of the impending war in Iraq."⁶ The growing divide of US-European attitudes towards shaping the international order serves to underline the struggle of other states to identify with US policies. Europeans view the US as oversensitive, leading it to be

³ See Everett C. Dolman, *Astropolitik: Classical Geopolitics in the Space Age*, (Cass Series--strategy and History. London ; Portland, OR: Frank Cass, 2002), 109 and Michael Sheehan, *The International Politics of Space*, (Space, Power and Politics. London ; New York: Routledge, 2007), 28 for examples of Pearl Harbor affecting US decisions. Also see Derek S. Reveron, ed., *Cyberspace and National Security: Threats, Opportunities, and Power in a Virtual World*, (Washington, DC: Georgetown University Press, 2012), 90.

⁴ C. Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, (New Delhi; New York: Penguin Books, 2005), 46.

⁵ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 70.

⁶ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 71.

“impatient with diplomacy and unwilling to abide by the restraints of multilateralism.”⁷ Europe was not alone in questioning the emerging international order.

As would be expected, “China, India, and Russia all have been uneasy with America’s role as the sole superpower and the Bush administration’s inclination toward unilateralism.”⁸ In rebuttal, the American perspective, as identified by Raja Mohan, is that states have failed to adapt to the new international security environment by dogmatically ascribing to a “multilateralist illusion...of social welfare,” especially in Europe.⁹ The view can be justified as an extension of expectations fostered by the Clinton era of expansive multilateralism and attempts to work through international institutions, such as the UN. Bush was content to work through institutions, but espoused a go-it-alone approach if deemed necessary.

A go-it-alone approach exhumes imperialist fears, especially in those states recovering from years of colonization. Additionally, the approach exemplifies and magnifies the asymmetric power differences between states in the international order. By using a go-it-alone approach, the US signals to other states that it is able to impose costs on any other state, friendly or otherwise, which changes a state’s political calculations.¹⁰

Power asymmetry, or asymmetric interdependence, aggravates relative gains gap sensitivities in other fields such as economics, and further complicates regime development.¹¹ The complications are evident in balance of power calculations, especially in the reemerging Asian region. The reemergence of Asia as a major regional concern accompanies the simultaneous changes in the international order. A brief digression is required to understand the importance of this reality.

Prior to the bipolar Cold War era, the multipolar international order contained numerous regional multipolar subsets. The primary focus of regional multipolar

⁷ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 72.

⁸ Francine R. Frankel and Harry Harding, *The India-China Relationship: What the United States Needs to Know*, (New York : Washington: Columbia University Press ; Woodrow Wilson Center Press, 2004), 4.

⁹ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 72.

¹⁰ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?* Editors Simon Bromley, Maureen Mackintosh, William Brown, and Marc Wuyts, (London ; Sterling, Va: Pluto Press in association with the Open University, 2004), 273-276.

¹¹ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?* 499.

hegemon(s) (existing or aspiring) during this period was their immediate neighborhood.¹² For example, Europe, the Americas, and Asia existed as multipolar regional subsets in a multipolar international order. Transportation and communication technology advancements facilitated increased contact between multipolar regions, but since these advancements had not reached maturation, each region remained essentially detached from one another.

The detachment led to a fractured international order of multipolar regions, each a part of the holistic multipolar international order. Before the international order could adjust to the increased contact brought forth by these advancements, two World Wars and numerous events intervened, resulting in a bipolar international order. The dissolution of the USSR left the US without a near peer, establishing a subsequent unipolar international order. The following discussion presents an argument that during the 21st century, a multipolar international order emerged of a different degree than the pre-Cold War order.

From the end of World War II, transportation and communication advancements continued, leading to an advanced state of globalization.¹³ Increased interconnectedness from globalization arguably draws all states in the order closer together, where states usually feel effects of international security and economic actions. This forms the major difference between the pre-Cold War multipolar order and the contemporary multipolar order where a serious tension arises. The security-economic dynamic defines the tension where Ashley Tellis contends that “simultaneous maximization of power and plenty is...impossible in a globalized world.”¹⁴ While impossible seems too definitive, he does identify an IR dilemma.

The dilemma arises when states interpret the current multipolar international order based on previous bipolar or unipolar international order expectations. In chapter 3, the dichotomous international-regional balance of power struggle was emerging. Today, this IR dilemma is evident, where numerous multipolar region subsets exist, and each is in a

¹² That does not discount the colonization ventures by European states, but those extra-territorial possessions served the interests of the homeland.

¹³ Globalization refers to the complex web of state interconnectedness, not necessarily interdependence, in the international order.

¹⁴ M. L. Sondhi, Prakash Nanda, and M. J Akbar, *Rising India: Friends and Foes : Essays in Honour of Prof. M.L. Sondhi*, (New Delhi; Olympia Fields, IL: Lancer, 2007), 128.

balance of power struggle against others in an international multipolar order. Asia represents one multipolar region subset and attracts the attention of extra-regional multipolar hegemon, specifically the US.

As an extra-regional hegemon, the US desires stability writ large in the Asian region. In the early 2000s, a RAND report put forth the objective to “prevent the rise of a regional hegemon” in Asia.¹⁵ Mearsheimer asserts that a regional multipolar order with a hegemon is unbalanced, and one without a hegemon is balanced.¹⁶ Unbalanced multipolar orders generate more fear due to increased uncertainty, which is undesirable by other multipolar regions. Therefore, to amend the US objective based on the international order construct offered above, it would be more correct to submit that the US sought an Asian balanced multipolar regional subset to reduce uncertainty and increase stability in the international multipolar order. China and India rose to prominence as primary Asian hegemonic contenders, and attracted US attention in different ways.

The Asian balance of power became an important aspect of US focus. The evidence of this lies in Condoleezza Rice’s assertion that the ability for China to control the Asian balance of power, depends on US reactions and interactions with regional players such as Japan and South Korea and that the US needs to “pay closer attention to India’s role in the regional balance.”¹⁷ Of course, states such as South Korea and Japan play a significant part in the Asian balance of power, but for the importance of this discussion, China and India both possess the actual and latent power capabilities to contest Asian hegemony. US interest in India increased because the US realized that India would play an important role in Asia balance of power to provide stability in the volatile and strategically important Indian Ocean littoral area.¹⁸

¹⁵ *The United States and Asia: Toward a New U.S. Strategy and Force Posture*, Project Air Force, (Santa Monica: Rand, 2001), xiii.

¹⁶ Mearsheimer offers the assertion that a true global hegemon cannot be attained, therefore, regional orders, such as the one discussed above, are of utmost concern. For more information of the balanced/unbalanced discussion see, John J. Mearsheimer, *The Tragedy of Great Power Politics*, (New York: Norton, 2001), 45.

¹⁷ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 110.

¹⁸ Asia Foundation, *America’s Role in Asia: Asian and American Views: Recommendations for U.S. Policy from Both Sides of the Pacific*, (1st ed. San Francisco, CA, U.S.A: Asia Foundation, 2008), 256.

Again, security concerns serve to influence perceptions of the entire US-India relationship. Raja Mohan claims, “The Bush White House put India for the first time in the category of great powers and suggested an Indian role in Asian balance of power and contrasted a positive approach towards India with a more critical one towards China.”¹⁹ While it seems that the US approached India and China differently, it would be difficult to claim that the US viewed India as a great power. Rather, the US viewed India as an emerging power that could influence the Asian balance of power dynamic.

Relatedly, an openly avowed concentration on balancing China cannot be a convergent factor in the US-India relationship since “The Indian government has remained reluctant to openly antagonize Beijing” and has shied away from any indication of a partnership in this area.²⁰ This is another example of India’s foreign policy charting a different path than the US would like, and frustrates the relationship. The challenge presented then is balancing power in Asia predicated on a delicate game of competition and cooperation, where India’s aspires to revise the international order.

Revising or reforming the international order is a commonly accepted Indian desire. Multiple authors such as Gupta, Raja Mohan, and Malone use terms revise and reform interchangeably to indicate that a state accepts the international order, but desires to improve its power and status position by making incremental international order changes.²¹ Malone asserts that India’s aspirations restricted the US-India relationship since “for most of the twentieth century American policymakers failed to see the potential in India to be a strong (and democratic) partner in Asia. Instead there was a tendency to see India as ‘a revisionist power bent on restructuring the international system at the expense of America’s global interests.’”²² The issue reaffirms the tension and misunderstanding of the international multipolar order.

When states misidentify the international order it blinds them to the reality of regional multipolar order dynamics and severely degrades political decisions. Therefore,

¹⁹ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 110-111.

²⁰ Amit Gupta, *Global Security watch—India*, Global Security Watch, (Santa Barbara, Calif: Praeger, 2012), 95, and Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, 247.

²¹ Gupta, *Global Security watch—India*, Global Security Watch, 84, and Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 79-80.

²² David Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, (Oxford ; New York: Oxford University Press, 2011), 171.

asserting that India and China desires a multipolar order requires the US to recalibrate its understanding of the multipolar international order expectations. Without the recalibration, it is easy for the US to misinterpret aspirations for a multipolar order as a challenge to its extra-regional hegemonic global influence; however, as it can be seen, desires for a multipolar order are a regional concern with international multipolar order implications.

Unfortunately, the international-regional multipolar concept is complex, which requires complex political action. Complex political action requires an understanding of not only the international order, but also how regional balanced and unbalanced multipolar orders affect that order. States of the contemporary international order continue to cling to expectations from previous international orders.

In 2004, the Indian government issued a statement solidifying its aspirations summed up in two lines of the Common Minimum Programme (CMP). The CMP states, “The UPA government will pursue an independent foreign policy, keeping in mind its *past traditions*. This policy will seek to promote multi-polarity in world relations and oppose all attempts at unilateralism.”²³ Since the polar issues have been addressed, the attention is now drawn towards the words *past traditions*. If the US and China are regional hegemons, India would seem content to work with or against both states in order to furnish its own rise, similar to the US-USSR bipolar Cold War strategy.

This past tradition is out of alignment with India’s prominent position desires. Whether India’s desires are regional or global, and “irrespective of whether competition trumps cooperation or cooperation prevails over competition, India is unlikely to acquiesce to playing a second-tier role in a unipolar, China-dominated, Asia.”²⁴ India’s objective is copasetic with the US objective of preventing a regional Asian hegemon, but by failing to realize the new international order construct and its ramifications, the two

²³ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 275-276. (Italics added for emphasis.)

²⁴ S. Kalyanaraman, “Fear, Interest, and Honour: The Thucydidean Trinity and India’s Asia Policy,” *Strategic Analysis*, Vol. 37, no. 4, 2013, 382 and Kishore Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World*, (First edition. New York: PublicAffairs, 2013), 173.

states remain at loggerheads over rhetoric, not substance.²⁵ Compounding these issues are external influences within the international order.

REGIONAL INFLUENCES

India's concerns revolve around security, freedom of access, and as discussed above, an Asian balance of power, where China is a major player in all of them.²⁶ Comparatively, the two individual states are powerful in the Asian region. In relation to one another, "China's economy, which is the second largest in the world, is four times as large as India's; and its defence budget, which is the largest in Asia, is three times as large as India's."²⁷

Economically, China and India both view the global trade and financial systems as biased in favor of developed countries.²⁸ Each wants to rise based on their power interests, but considering the proximity and disparity in power between the two Asian powers, it appears they are "acting to maximize their relative power and interest" in a regional balance of power construct.²⁹ When this occurs, competition rises over cooperation and offers the US opportunities to balance Asian power.

India "believes that the best antidote to the persistently competitive and even threatening dimension of Chinese power lies in *the complete and permanent revitalization of the Indian economy*-an arena in which the United States is seen to play a special role."³⁰ However, US economic interests in Asia seem to play a divisive role, where competition seems to reign in the triangular relationship. The US-India economic indicators are presented later in this chapter, but first, the India-China economic relationship needs to be addressed briefly.

In the bid for Asian hegemony, India and China exhibit both cooperative and competitive strains. In 2012, Gupta stated, "India-China trade now runs at approximately

²⁵ Aspen Institute India Joint Study Group Report, "The United States and India: A Shared Strategic Future," *Council on Foreign Relations*, September 2011, 7.

²⁶ Kalyanaraman, "Fear, Interest, and Honour: The Thucydidean Trinity and India's Asia Policy," 386.

²⁷ Kalyanaraman, "Fear, Interest, and Honour: The Thucydidean Trinity and India's Asia Policy," 382. (Economic figures differ from one source to another, which means discrepancies may be found in numerical values. Example: The World Bank has China's GDP as eight times as large as India and GDP PPP as less than three times as large.)

²⁸ George J. Gilboy and Eric Heginbotham, "Double Trouble: A Realist View of Chinese and Indian Power," *The Washington Quarterly*, Summer 2013, 128.

²⁹ Gilboy and Heginbotham, "Double Trouble: A Realist View of Chinese and Indian Power," 136.

³⁰ Citing Tellis in, Francine R. Frankel and Harry Harding, *The India-China Relationship: What the United States Needs to Know*, 211. (Italics in original)

\$60 billion, and the Chinese project an expansion of this economic relationship to approximately \$100 billion by 2015.”³¹ China’s proximity and size encourages this type of cooperation, since India requires increased economic growth. Gupta claims that by courting China, “a ‘Chindia’ will emerge, wherein the two countries will be able to get over their differences, cooperate economically and politically, and emerge as a major force in international affairs” where “the two economies will remain complementary, with India being a services giant and China an industrial giant.”³² The underlying concept and numbers seem impressive, but the actual rate of bilateral economic growth has been slow.

A reason for this slow growth may stem from the inequitable economic regime developing and natural energy resource competition. The inequity in the regime results from the exact economic nature described above. China is importing raw materials and exporting back finished products a higher market return.³³ This difference in results allows a widening gap in the relative gains attained by China. The result of the import-export relationship is that “the trade deficit between the two countries keeps widening—from \$2 billion in 2002 to \$20 billion in 2010— with India claiming that the dumping of Chinese good in India is killing Indian manufacturing.”³⁴ While India feels pressured to work with the great powers in the system in order to catch up after decades of failed economic initiatives and inward proclivities, China does not seem to be a favorable partner as indicated earlier.³⁵ The economic regime does tell an interesting story of zero-sum economic interactions since “China’s gains in the share of Indian foreign trade have roughly equaled the United States’ loss in share over the last 20 years.”³⁶ Adding to a strained China-India economic regime is the inevitable increase in competition over natural energy resources.

³¹ Gupta, *Global Security watch—India*, Global Security Watch, 59.

³² Gupta, *Global Security watch—India*, Global Security Watch, 59-60. The strong cooperation argument is mentioned in Kronstadt, K. Alan, Paul K. Kerr, Michael F. Martin and Bruce Vaughn, “India: Domestic Issues, Strategic Dynamics, and U.S. Relations,” Congressional Research Service, The Library of Congress, 1 Sep 2011, 27.

³³ Aspen Institute India Joint Study Group Report, “The United States and India: A Shared Strategic Future,” 23.

³⁴ Gupta, *Global Security watch—India*, Global Security Watch, 61.

³⁵ Gupta, *Global Security watch—India*, Global Security Watch, 15.

³⁶ Matthew Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” *Center for Strategic & International Studies, A Report of the Wadhwani Chair in U.S.-India Policy Studies*, November 2012, 11.

Each state demands greater amounts of natural energy resources, especially as their industry and manufacturing sectors rise to compete internationally. “India’s economic and energy linkages with the countries of West Asia and the Persian Gulf in particular have grown tremendously. More than 65 per cent of India’s oil imports come from the countries of West Asia.”³⁷ These areas serve as a major point of contention for the two states, especially as China’s influence expands across South Asian where India’s interests are especially concerned.³⁸ The next chapter investigates the importance of states bordering the Western Indian Ocean Region as an important area of US-India interest convergence. Moving beyond China, South Asia brings its own challenges for India.

South Asian dynamics explain a great deal of India’s actions. First, “India stands at the very core of the region in terms of geography, economics, politics, and culture.”³⁹ Second, the region’s depressed economic capability is evident in that the “Indian economy accounts for 80 per cent of the region’s GDP.”⁴⁰ India’s strength, size, and stature oftentimes force it to intervene in regional political disputes. Such involvement tends to “generate anti-India nationalism” and hegemonic concerns, where South Asian states attempt to balance India by “courting powerful non-South Asian countries” such as China.⁴¹ The unintended consequence is as India tries to keep China outside of its sphere of influence its actions are actually undermining this objective.⁴²

Another potential drawback of the high number of developing states on India’s periphery is India’s history as the outspoken NAM champion for those states. “In brief, India does not quite sit on the fence between the developed and developing countries but rather seeks to straddle the two camps—exploiting its multiple international identities,

³⁷ Kalyanaraman, “Fear, Interest, and Honour: The Thucydidean Trinity and India’s Asia Policy,” 383.

³⁸ Kalyanaraman, “Fear, Interest, and Honour: The Thucydidean Trinity and India’s Asia Policy,” 382 and Gupta, *Global Security watch—India*, Global Security Watch, 61.

³⁹ Kalyanaraman, “Fear, Interest, and Honour: The Thucydidean Trinity and India’s Asia Policy,” 384.

⁴⁰ Kalyanaraman, “Fear, Interest, and Honour: The Thucydidean Trinity and India’s Asia Policy,” 384 and Sumit Ganguly, *India’s Foreign Policy: Retrospect and Prospect*, (New Delhi: Oxford University Press, 2010), 314.

⁴¹ Kalyanaraman, “Fear, Interest, and Honour: The Thucydidean Trinity and India’s Asia Policy,” 384.

⁴² Gupta, *Global Security watch—India*, Global Security Watch, 87 and Kronstadt, K. Alan, Paul K. Kerr, Michael F. Martin and Bruce Vaughn, “India: Domestic Issues, Strategic Dynamics, and U.S. Relations,” Congressional Research Service, The Library of Congress, 1 Sep 2011, 21.

including its status as an emerging power, to advance its interests.”⁴³ The preoccupation with increasing its purchase with developing states alienates powerful states, which can serve as mechanisms for India’s rise in power.⁴⁴ Even though India has inward proclivities, recently it has reached out to other states in the order to facilitate its economic and political standing. The tactics employed differ based on the power standing of those states.

The primary difference appears in the preference for multilateral agreements with larger powers, and bilateral agreements with others. Ishrat Aziz intuitively argues that, “Bilateralism is best pursued when others need you. With its recent political and economic success, India is much better placed to pursue bilateralism today.”⁴⁵ India’s bilateral agreement choices represent an indicator of its power. With states that are not great powers, India tends to work bilaterally to reduce friction and uncertainty. With the greater powers, India seeks to work multilaterally to increase friction, evidenced by their defiant attitude towards the greater powers in international arenas.

India frequently undercuts trade meetings to gain purchase with developing states by protecting sensitive domestic areas, such as agriculture.⁴⁶ During the 2008 Doha Development Agenda, many blame India for the failed negotiations because it would not compromise with developed powers.⁴⁷ India’s push for multilateralism in these regards is part of its multipolar aspirations in which it seeks to constrain the actions of the great powers in the system to further its own great power ambitions.⁴⁸ “For many Indian practitioners and analysts, multilateralism is at best a defence against the unilateralism of others,” specifically, the US and China, where “India’s multilateral diplomacy is strikingly ‘defensive rather than assertive and creative’.”⁴⁹ India concentrates on regional

⁴³ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 268.

⁴⁴ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 261.

⁴⁵ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 186.

⁴⁶ Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” 34, K. Alan Kronstadt, “India-U.S. Relations”, 60, and George Perkovich, “Toward Realistic U.S.-India Relations,” *Carnegie Endowment for International Peace*, 2010, 39.

⁴⁷ Gilboy and Heginbotham, “Double Trouble: A Realist View of Chinese and Indian Power,” 129-130, and National Bureau of Asian Research, “India as a ‘Global Swing State’: A New Framework for U.S. engagement with India,” *Policy Q&A*, July 2013.

⁴⁸ Gupta, *Global Security watch—India*, Global Security Watch, 85.

⁴⁹ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 272-273.

groupings of states and organizations, which allows India to exploit its emergent status, and simultaneously capitalize on the competition between the US and China.⁵⁰

Taking into consideration India's outreach to other Asian nations and organizations economically, one could conclude that they are hedging their bets against China. India has concluded numerous strategic partnerships with nations such as "Australia, Japan, South Korea, Vietnam, Indonesia, Afghanistan, Tajikistan, Uzbekistan, Kazakhstan, Iran, Saudi Arabia, Oman, Russia, Britain, France, and the United States."⁵¹ India's struggle with walking the line between appeasing NAM states and following its desired path to power continues to plague its rise.⁵²

Andreas Hansclever et al indicate, "State's with a reputation for opportunism will find it more difficult in the future to be accepted as a partner in a potentially beneficial regime."⁵³ The assertion is especially relevant for India. First, India's purchase with NAM states may be quickly reaching an end as its power rises. This means breaking ties with NAM states and working closer with the greater powers in the order. Second, and related, great powers in the order demand India to take on responsibilities commensurate with its perceived power. With an important voice in the international community, "India has not yet displayed that it is willing to assume much responsibility" in establishing international norms.⁵⁴ The perceived lack of international responsibility negatively affects the advantages of India's regional voice.

India's political shrewdness has enabled it to create linkages that would seem especially alien to IR analysts. For example, "India maintains strong relations not just with Israel, but also with Iran and Saudi Arabia, a feat accomplished by very few."⁵⁵ Iran sits at the nexus of India's western objectives, as well as the nexus of US-India relations. "India's relationship with Iran was particularly irksome to both the Bush and Obama administrations, which saw Tehran as a major strategic challenge in the Indian Ocean

⁵⁰ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 268.

⁵¹ Kalyanaraman, "Fear, Interest, and Honour: The Thucydidean Trinity and India's Asia Policy," 385.

⁵² Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 267.

⁵³ Andreas Hansclever, Peter Mayer and Volker Rittberger, "Integrating Theories of International Regimes," *Review of International Studies*, Vol. 26, no. 1, January 2000, 8.

⁵⁴ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 250 and Aspen Institute India Joint Study Group Report, "The United States and India: A Shared Strategic Future," Council on Foreign Relations, September 2011, 12.

⁵⁵ Aspen Institute India Joint Study Group Report, "The United States and India: A Shared Strategic Future," 26.

region.”⁵⁶ Arguably, the fact that Iran and India are NAM members provides a vital link in this relationship and allows India access to Iran, not only politically, but also economically and geographically. India possesses the ability to influence and shape the regional order, which garners international attention.

In 2013, both the National Bureau of Asian Research and a Joint Study report conducted by the Aspen Institute India identified India as a “Global Swing State.”⁵⁷ Analogous to domestic US politics, a swing state represents an area of concentration due to the potential influence. India’s position in the region solidifies it as a swing state. India sits at the nexus of many multipolar regional subsets and asserts different levels of influence in each area. How the swing manifests itself will determine whether India remains an insular South Asian state, or a state that projects its power across the various multipolar subset orders to achieve its vital interests. Much of that depends on the relationship with the US.

STATE INTERACTION

India’s response to the 11 September attacks positively influenced the US-India relationship foundation. True, the two states worked together on security matters in the past, such as defense procurements, but as mentioned in the previous chapter, the extent of that relationship was limited due to US concerns of dual use technology proliferation. The contours of the relationship changed with the combined focus on a common enemy, namely terrorism. Now, the states could rally around a common cause, one that India had been pushing for ardently.

The surprise of India’s support arises, not because India is an unsympathetic state, but rather it historically stood in staunch opposition to military expeditionary actions.⁵⁸ India’s experiences with internal and external terrorism led it to offer support in the way

⁵⁶ Gupta, *Global Security watch—India*, Global Security Watch, 95. Also, Blumenthal suggests that the India-Iran relationship should concern US policymakers. The assessment is negative, but placed in the right light, addressing Iran as a positive in the US-India relationship could lead to payoffs for all states in the region, as well as the US. See Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, 293-294 for Blumenthal’s discussion.

⁵⁷ National Bureau of Asian Research, “India as a ‘Global Swing State’: A New Framework for U.S. engagement with India,” *Policy Q&A*, July 2013, and Aspen Institute India Joint Study Group Report, “The United States and India: A Shared Strategic Future,” 6.

⁵⁸ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, xi.

of basing for the US to launch its prosecution of GWOT.⁵⁹ The mutual security benefits were easy to comprehend, especially since terrorism served to undermine Asian security and India's sovereignty, a vital interest. Security concerns continued to define the relationship during this period, as the economic relationship slowly evolved. In order to understand the changes, the research follows the same pattern, looking first at how the security regime changed, and then turns to the economic regime.

SECURITY

Many US-India interests converge in the security arena where great strides have drawn them closer together. Common security threats such as terrorism, narcotics, counter-WMD proliferation, as well as securing transit lanes in the Persian Gulf and the Indian Ocean, established a thread that enhanced the security regime.⁶⁰ European antagonism over Bush's actions and the reemergence of an Asian power bloc presumably led President Bush to push the US-India agenda harder and further than previous administrations. Beyond the terrorism crisis that gave hope to a renewed close relationship, the 2005 US-India Civil Nuclear Cooperation Agreement seemed to catalyze and transform the security regime even further.⁶¹

The 2005 agreement accomplished a number of items. First, the US recognized India's importance on the global stage. In this one act, the US placed a global responsibility on the shoulders of Indian leaders. Secondly, the agreement recognized the legitimacy of India's nuclear program and signaled that the US did not view India as a nuclear proliferation threat. Third, the 'natural ally' rhetoric took on a new life during Bush's presidency fostering a partnership based in realism.⁶²

A foundational tenet of realism is mutual concern for security. As such, short-term aims traditionally trump long-term aims and are evident in the regime where, the US

⁵⁹ Mark Mazzetti, *The Way of the Knife: The CIA, a Secret Army, and a War at the Ends of the Earth*, (New York: The Penguin Press, 2013), 30.

⁶⁰ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 26, and Asia Foundation, *America's Role in Asia: Asian and American Views: Recommendations for U.S. Policy from Both Sides of the Pacific*, 257, and Aspen Institute India Joint Study Group Report, "The United States and India: A Shared Strategic Future," 12.

⁶¹ Ashley J. Tellis, "Opportunities Unbound: Sustaining the Transformation in U.S.-India Relations," Carnegie Endowment for International Peace, 2013, 6.

⁶² Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 51.

had reservations about India's "long-term strategic thinking and policymaking."⁶³ The same complaint could be levelled at the US. It has been offered that the "US focuses on broad strategic vision, while India tends to be more inward looking and focused most intently on regional concerns."⁶⁴ Casting a broad strategic net, does not necessarily translate to long-term aims, which seems to be deficient in the contemporary strategic environment. Short-term aims prove detrimental to the establishment of a positive economic regime. The relationship seems to hang on to a convergence of shared values, which does little in a realist based relationship.

The easing of nuclear pressure served to enhance US options in Asia. "What the Bush administration sought to achieve, therefore, was a comprehensive transformation of the U.S.-India strategic relationship based on the assumption that India—as a major democratic nation with shared values—would seek to help maintain an America-created regional order in Asia."⁶⁵ While values play an important role in a regime's persistence, they do not necessarily propel the regime in a positive direction. In other words, the states may share similar values, such as democracy, but that does not necessarily facilitate a positive economic regime.

The common exhortation seen and heard when referencing the US and India is the promising relationship of the oldest and largest democracies in the world.⁶⁶ This rhetoric has damaged the ability to find truth in the relationship. Ambassador Robert Blackwill is but one of many that hangs the relationship on the values hook. He contends that Asian peace and prosperity hinges on the ability of the US to strengthen Asian states that share "democratic values and national interests," which he asserts "spells India."⁶⁷

Democratic values are not strong enough to bind the two states into a single coherent policy for Asia, in either security or economic interests. Blackwill does present a final argument that overcomes the previous deficiencies by stating, "A strong US-India

⁶³ K. Alan Kronstadt, "India-U.S. Relations", *Congressional Research Service*, The Library of Congress, 101 Independence Ave, SE, Washington, DC, 30 Jan 2009, 15.

⁶⁴ The Heritage Foundation, "Beyond the Plateau in U.S.-India Relations," Special Report from the Asian Studies Center, No. 132, 26 Apr 2013, 22.

⁶⁵ Gupta, *Global Security watch—India*, Global Security Watch, 89.

⁶⁶ Ramesh Chandra Thakur, *The Politics and Economics of India's Foreign Policy*, (London : New York: Hurst ; St. Martin's Press, 1994), 176, George Perkovich, "Toward Realistic U.S.-India Relations," *Carnegie Endowment for International Peace*, 2010, 11.

⁶⁷ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 111.

partnership contributing to the construction of a peaceful and prosperous Asia binds the resources of the world's most powerful and most populous democracies in support of freedom, political moderation, and economic and technological development.”⁶⁸ Here, democracy is not the determining factor; rather the strong partnership is of significance, which the two states are struggling to define.

President Bush's reliance on the democratic hook potentially received more emphasis than it was due. Malone asserts that, “The new millennium saw a resurgence in the value-based approach to India-USA relations...in the aftermath of 9/11, when democracy promotion became a significant item on the Bush administration's international agenda, a value-based approach complemented by an interests-based economic agenda underpinned the relationship.”⁶⁹ Since both the security and economic regimes positively increased under this mantra, it led many to conclude that values were the explanatory variable and led to mismanaged expectations.

Shared values did foster a start to the strategic partnership, but were not able to transfer into a shared vision. India is comfortable working within the bounds of the shared values thesis as a component of the strategic partnership, but often its interests come into disagreement with US policy.⁷⁰ When this happens, the US reels back due to the emphasis on the democratic hook. The evidence is apparent that “after nearly two years of the Obama administration being in office, there was a feeling in Washington that the relationship had run adrift...and the forward momentum that characterized recent cooperation has subsided.”⁷¹ The forward momentum established by President Bush's realist tendencies would have been hard to continue based on historical limitations and constraints, but other actions by the Obama administration also had detrimental effects.

The Obama administration has made few friends in India. Topics such as Afghanistan, Pakistan, human rights and others remain contentious, but none so much as China. As seen earlier, China is the other power in the region that could contest Asian hegemony. Early indications from the Obama administration instilled fear and insecurity in India, especially after Secretary of State Hillary Clinton indicated that the relationship

⁶⁸ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 111.

⁶⁹ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 172.

⁷⁰ Gupta, *Global Security watch—India*, Global Security Watch, 93.

⁷¹ Gupta, *Global Security watch—India*, Global Security Watch, 93.

with China “will be the most important bilateral relationship in the world in this century.”⁷² If that statement was not strong enough as an indicator of relations between the US and China, then the 2009 joint statement solidified India’s perception of second-tier power relegation.

The joint US-China statement produced at the Obama-Hu summit in November 2009 indicated, “The two sides agreed to ‘strengthen communication, dialogue, and cooperation on issues related to South Asia and work together to promote peace, stability, and development in that region.’”⁷³ Including South Asia in the dialogue impinged on India’s sphere of influence and exacerbated entrenched impediments to the US-India relationship. It would be hard to see any other motive behind this statement, than the US is forcing India to take a hard look at the international order, assessing where it fits in relation to China and the US, and calculating the consequences if it does not shake off detrimental foreign policy proclivities, especially in regards to economics.

ECONOMICS

The security cushion may provide a disillusioned sense of comfort for India, where it does not take into consideration US expectations of India as a more internationally responsible state.⁷⁴ Powell elucidates the security cushion issue by concluding that cooperation becomes feasible when the use of force is not an issue.⁷⁵ Both states understand that “Economic growth provides the critical foundation for national power, and India cannot expect to take its place among the major states in the international system without a sustained improvement in economic performance.”⁷⁶ The security-economic parallel is critical in understanding the entire relationship.

⁷² Aspen Institute India Joint Study Group Report, “The United States and India: A Shared Strategic Future,” 22.

⁷³ Jeff Smith, “How to Fix US-India Ties,” *The Diplomat*, 20 Aug 2010.

⁷⁴ One of the keys to building partnership capacity for the US is sharing the costs and responsibilities of global leadership as identified in US Department of Defense, “*Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*,” January 2012, 3. Also see Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, (Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, 2007), 243 for a discussion on the security cushion.

⁷⁵ Robert Powell, “Absolute and Relative Gains in International Relations Theory,” *The American Political Science Review*, Vol. 85, no. 4, December 1991, 1304.

⁷⁶ Ashley J. Tellis, “India as a New Global Power: An Action Agenda for the United States,” (Carnegie Endowment for International Peace, 2005), 49.

Since it is assumed that the US and India will not resort to force against one another to initiate change, the negotiation environment is relatively neutral allowing room for divergent views to be expressed and to identify issue-areas of convergence that serve the interests of both states. This negotiation environment should result in non-zero sum interaction, also called positive sum. Recalling from chapter 2, positive sum interactions are ones where states gain and lose mutually based on overlapping interests. The degree of interest overlap bounds state interactions based on perceptions of the international order and the systemic aspects of the order.⁷⁷ When overlap is high (high agreement and low barriers), sensitivity is low, and when overlap is low (low agreement and high barriers), sensitivity is high. The US-India economic regime resembles the latter and takes on the appearance of zero-sum interactions. The high sensitivity interactions negatively affect advancements in the economic regime.

By many accounts, expectations hold firm that the US-India economic regime should have low sensitivity. In 2013, analysts concluded that the US and India are primed for interaction based on shared values and security concerns.⁷⁸ Assumptions based on these convergent interests leads to bewilderment that “the two countries are yet to establish economic ties worthy of their combined gross domestic product (GDP) of over \$20 trillion (in purchasing parity terms).”⁷⁹ Some of the bewilderment arises due to the perceived improvements, not only in those convergent areas, but also due to steps taken by India in this decade to reform its economic policies.

The first half of the decade saw “the rise of India from being a poor backward nation to being considered as not only an emerging economy but also a major political player in the world.”⁸⁰ Once the “shackled giant” was free, the US desired to be a part of the growth process and take advantage of previously unattainable economic possibilities.⁸¹ As mentioned in Chapter 3, Manmohan Singh was appointed the PM in

⁷⁷ Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, 246.

⁷⁸ Sadanand Dhume and Julissa Milligan, “Falling Short: How Bad Economic Choices Threaten the US-India Relationship and India’s Rise,” *American Enterprise Institute*, Oct 2013, 5.

⁷⁹ Dhume and Milligan, “Falling Short: How Bad Economic Choices Threaten the US-India Relationship and India’s Rise,” 5.

⁸⁰ Gupta, *Global Security watch—India*, Global Security Watch, 7.

⁸¹ Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment, *India & America after the Cold War: Report of the Carnegie Endowment Study Group on U.S.-Indian Relations in a Changing International Environment*, (Washington, D.C: Carnegie Endowment for

2004, and “he faced a globalized world where the characteristics of globalization now impacted heavily on the making and implementation of Indian foreign policy.”⁸² With that, India needed to transform the domestic economy and expand foreign trade and investment.⁸³

The first was dependent on the second, but often India focused on domestics at the detriment of the international since “India’s economy has been built around unleashing domestic consumption rather than relying on exports.”⁸⁴ Raja Mohan indicated in 2003 that “India had crossed the Rubicon,” where he found it “extremely unlikely that India’s new diplomatic direction will be reversed in the coming years, India cannot go back to the old economic policies [sic], it cannot return to the earlier stress on non-alignment and an anti-Western orientation.”⁸⁵ Unfortunately, India’s focus on *past traditions* and “prickly independent foreign policy choices” altered Raja Mohan’s vision where it seems as if India has not crossed, but instead has taken two steps back from the economic Rubicon behind the US and China.⁸⁶ For India to increase its economic benefits, it needs better economic integration internationally.

Trade and investment are keys to expanded prosperity in today’s international economy. India’s GDP “grew 7.4% annually between 2000 and 2011” and allowed it to become the world’s fourth largest economy in 2011 (purchasing power parity), and is the third largest economy as of 2014.⁸⁷ The growth seems encouraging, but due to domestic growth hypersensitivity, India stifles trade liberalization domestically and internationally.⁸⁸ The primary components of this reside in India’s agriculture and

International Peace, 1993), 5 and Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, 239.

⁸² Gupta, *Global Security watch—India*, Global Security Watch, 7-8.

⁸³ Tellis, “India as a New Global Power: An Action Agenda for the United States,” 50.

⁸⁴ Aspen Institute India Joint Study Group Report, “The United States and India: A Shared Strategic Future,” 8.

⁸⁵ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 268.

⁸⁶ Kronstadt, “India-U.S. Relations”, 2009, *Congressional Research Service*, 37.

⁸⁷ National Bureau of Asian Research, “India as a ‘Global Swing State’: A New Framework for U.S. engagement with India,” *Policy Q&A*, July 2013 and Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 84 and The World Bank GDP rankings.

⁸⁸ National Bureau of Asian Research, “India as a ‘Global Swing State’: A New Framework for U.S. engagement with India,” *Policy Q&A*, July 2013.

infrastructure needs. “According to the World Bank, India has been the world’s chief imposer of protectionist measures in recent years.”⁸⁹

Ironically, agriculture and infrastructure serve as catalysts to its economy and garner high levels of protectionist measures.⁹⁰ The protectionist measures, combined with high levels of internal corruption (2005 – ranked 88/154 surveyed and 2012 – ranked 94), do not provide a suitable environment for business to flourish.⁹¹ In the World Bank ‘Ease of Doing Business’ rankings, the story comes to light. For a top tier economic power, India constantly ranks in the lower tiers. India’s ranking has fluctuated slightly through the years, but never straying far away from the current 2014 ranking of 134 out of 189 global economies.⁹² (See Appendix D for Ease of Business figures) These factors play a role in limiting the US-India trade and investment.

The US and India conduct trade and investment with each other, but not to the level deemed appropriate for their combined economic power. In trade terms, the “U.S.-India bilateral trade continues to grow briskly, but it is modest in absolute terms.”⁹³ Indian GDP is “roughly the same as the combined GDP of Saudi Arabia, the Netherlands, and Taiwan, each of these three ranks ahead of India in trade with the United States.”⁹⁴ As of 2005, American trade with India equaled less than one percent of the United States’ global trade, and India’s percentage share of US imports equaled the same paltry sum.⁹⁵

In 2006, India ranked 19th among US trading partners with a two way trade total of \$31 billion compared to US trade with China that was 10 times that amount.⁹⁶ Six years later figures for China and India almost doubled, where US-China trade equaled \$536 billion compared to \$63 billion with India. India did improve to the 13th largest US

⁸⁹ The Heritage Foundation, “Beyond the Plateau in U.S.-India Relations,” 18.

⁹⁰ The Heritage Foundation, “Beyond the Plateau in U.S.-India Relations,” Special Report from the Asian Studies Center, No. 132, 26 Apr 2013, 18.

⁹¹ Dhume and Milligan, “Falling Short: How Bad Economic Choices Threaten the US-India Relationship and India’s Rise,” 24 and Kronstadt, K. Alan, Paul K. Kerr, Michael F. Martin and Bruce Vaughn, “India: Domestic Issues, Strategic Dynamics, and U.S. Relations,” Congressional Research Service, The Library of Congress, 1 Sep 2011, 43.

⁹² Dhume and Milligan, “Falling Short: How Bad Economic Choices Threaten the US-India Relationship and India’s Rise,” 23, and The World Bank website figures. (See appendix for India’s yearly rankings)

⁹³ Aspen Institute India Joint Study Group Report, “The United States and India: A Shared Strategic Future,” 28.

⁹⁴ The Heritage Foundation, “Beyond the Plateau in U.S.-India Relations,” 18.

⁹⁵ Tellis, “India as a New Global Power: An Action Agenda for the United States,” 52.

⁹⁶ Asia Foundation, *America’s Role in Asia: Asian and American Views: Recommendations for U.S. Policy from Both Sides of the Pacific*, 258.

trading partner during this period, but it is fair to conclude that, “neither country treats the other as a trade priority in Asia.”⁹⁷ India’s unreliability has forced the US into a position of furthering economic engagement with China. The trade trends indicated above will continue until US-India relations improve or significant alterations in the international environment appear, such as an overaggressive China. Foreign Direct Investment follows a similar trend as trade.

The portion of US FDI flowing into India has varied over the years. In the previous decade, US percentage of FDI in India totaled about 20 percent and fell to 7.3 percent (9.44 billion) during the 2000-2011 period.⁹⁸ As late as 2013, the US still only ranks fifth in total FDI to India.⁹⁹ Some of this is due to the India-Mauritius tax treaty, where some of US FDI flows through Mauritius, and thereby leads to a reduction in FDI numbers. The details of the treaty are beyond the scope of this research, but estimates indicate that roughly 40% of India FDI flows through Mauritius and contribute to the lower percentages.¹⁰⁰ The redirection of FDI does not change the fact that FDI has been retreating from India’s shorelines because of the unfriendly business tactics employed by India.¹⁰¹ Another contributing factor to the stagnated economic regime possibly resides in the diversified nature of India’s economic portfolio.¹⁰²

As discussed earlier, India’s outreach to other nations has increased over this period, especially in bilateral agreements with states other than China and the US. “India’s growth in total trade with the world is outpacing the growth in trade in US-India trade.”¹⁰³ (Between 1994-2011, India’s trade increased 15.1 percent annually but only 11.5 percent with the US) The research has shown that India has concluded bilateral investment treaties (BIT) with 82 trading partners.¹⁰⁴ The glaring exceptions are the US

⁹⁷ Gilboy and Heginbotham, “Double Trouble: A Realist View of Chinese and Indian Power,” 130, and Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship.” Also see Dhume and Milligan, “Falling Short: How Bad Economic Choices Threaten the US-India Relationship and India’s Rise,” 1.

⁹⁸ The Heritage Foundation, “Beyond the Plateau in U.S.-India Relations,” 19.

⁹⁹ The Heritage Foundation, “Beyond the Plateau in U.S.-India Relations,” 19.

¹⁰⁰ The Heritage Foundation, “Beyond the Plateau in U.S.-India Relations,” 19.

¹⁰¹ Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” 6.

¹⁰² Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” 9.

¹⁰³ Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” 9.

¹⁰⁴ Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” 15 and Dhume and Milligan, “Falling Short: How Bad Economic Choices Threaten the US-India Relationship and India’s Rise,” 14.

and China.¹⁰⁵ This fact adds credence to the assertions earlier that India works bilaterally with those states viewed as non-hegemonic threats and misinterprets the international order expectations. The power dynamic overshadows the benefits of increased economic integration.

The sensitivity to power and relative gains is apparent in the US-India economic regime, which leads to zero-sum interactions. The power differential is evident in that “US GDP per capita is close to \$40,000, while India’s is close to \$3,000 (using purchasing power parity).”¹⁰⁶ Tellis states that, “inherent inequity in economic strength between the two countries resulted even in commonly accepted goals being frustrated because of the differential in costs and benefits accruing to the two sides...and each side perceived that the other tended to promote only those policies that advantaged it asymmetrically.”¹⁰⁷ This cost-benefit problem is indicative of a zero-sum contest where each sides fears that one is gaining an advantage over the other.

When these cases arise, cooperation is stifled due to high barriers and low agreement. In a strategic partnership, numerous issue-areas with various linkages exist through the duration. If the power disparity is the “largest impediment to a strategic partnership in the near term,” then the economic regime relative gains sensitivities results in a zero-sum interaction.¹⁰⁸ Capitalizing on the differences as advantages instead of disadvantages is the key, but is fraught with difficulties stemming from history and a concentration on a misidentified international order.

If the mixed-motive continuum between discord and harmony represents a gap, then bridging the economic regime gap proves difficult given India’s sovereignty concerns, especially in regards to economics.¹⁰⁹ Lowering barriers and increasing agreement remains the economic challenge for both states. Chapter 5 offers potential solutions and implications for US-India relations.

SUMMATION

¹⁰⁵ Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” 15.

¹⁰⁶ Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, 321.

¹⁰⁷ Tellis, “India as a New Global Power: An Action Agenda for the United States,” 51.

¹⁰⁸ Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, 321.

¹⁰⁹ Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, 323.

During the last decade, the US-India relationship has transformed due to numerous factors. First, the international order changed perceptions and relationships after September 11, 2001. Those changes forced states to recalibrate their perception of the international order. The presented argument surmises that the contemporary multipolar international order is constructed of regional multipolar subsets. This theoretical proposition encourages debate; however, due to the globalized character of IR, failing to acknowledge the dynamic interactions that occur regionally because of a myopic focus on international interactions results in misunderstanding and misinterpretation of the IR environment.

Secondly, and interrelated due to the reemergence of Asia as a regional multipolar region, regional external influences were considered. The external influences demonstrate a complex web of interactions, where India stands at the nexus of numerous multipolar regions. India's predominant concern is with South Asia and all of its issues; however, due to its power, India influences East, Central and Southeast Asia, as well as the Eastern coast of Africa.

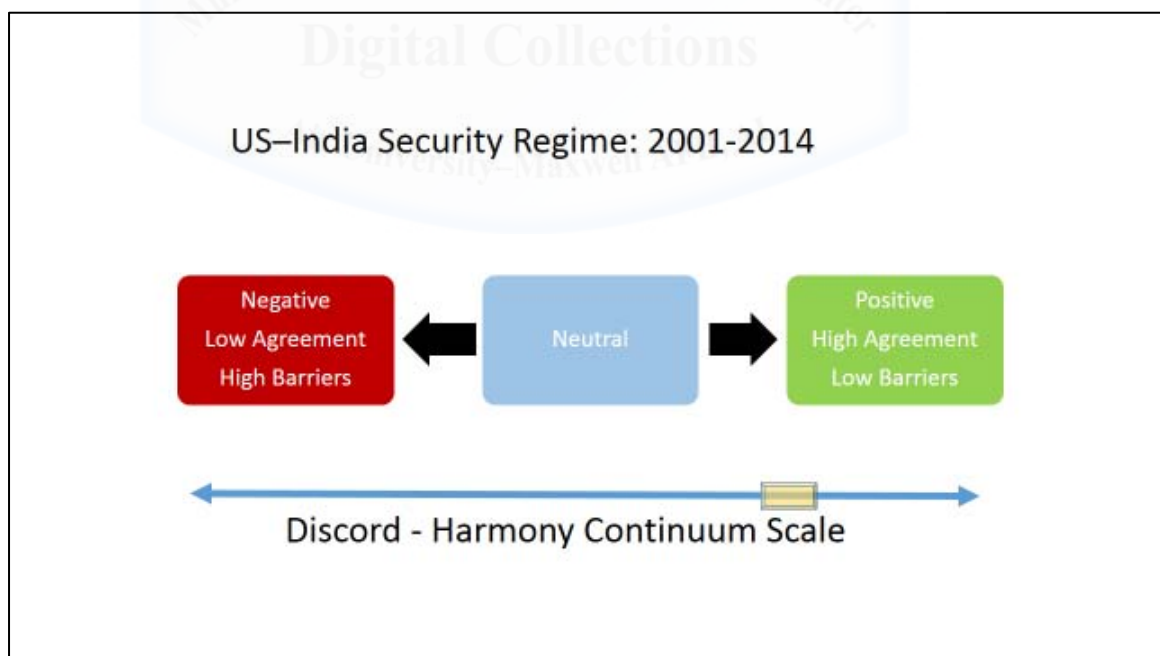


Figure 4. US-India Security Regime: 2001-2014 (Source: Authors original work)

The importance of India's place in the regional order is well documented; however, US-India relations prohibit effective economic cooperation. As offered, the security regime still plays major role in the relationship. The security cushion is evident

in the figure above, where there has been a slight increase in the positive direction along the continuum due to the 2005 nuclear agreement. The positive nature of the security regime; however, potentially has negative ramifications on the economic regime, which is classified as neutral-negative, leaning towards the negative on the discord-harmony continuum as indicated below in Figure 5.

The low agreement and high barriers to more effective economic cooperation will require time and incremental credible commitments. Time is required to overcome the short-term concerns of the states, which entails making the economic regime a non-zero-sum contest, vice a zero-sum contest. “U.S.-India dialogues on economic matters have failed to forge deeper bilateral economic ties, let alone serve as a forum for creative and active problem solving on international economic issues.”¹¹⁰ Both states must reevaluate and contend with this new interpretation to rise above global tit-for-tat interactions and create an effective regional approach.

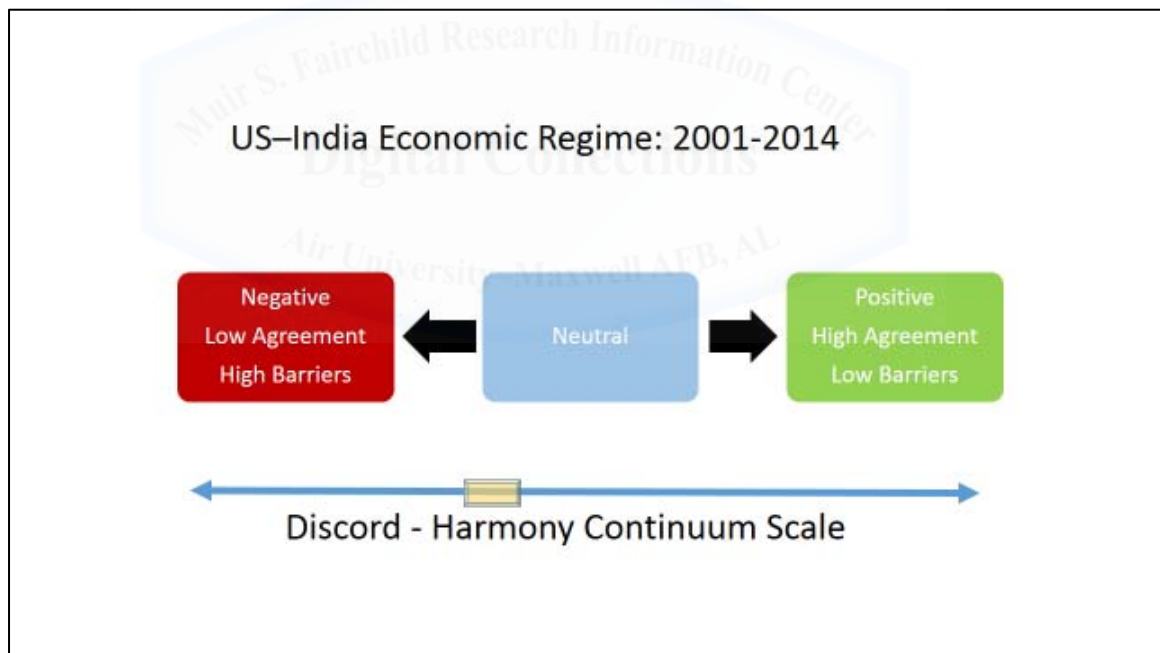


Figure 5. US-India Economic Regime: 2001-2014 (Source: Authors original work)

The regional approach will entail developing mutually agreeable action goals that will not be identical. This means identifying coherent linkages with multiple *side-payments* in the economic issue area. *Side-payments* are incentives that encourage or

¹¹⁰ Aspen Institute India Joint Study Group Report, “The United States and India: A Shared Strategic Future,” 29.

enhance collective processes in an issue area. Identifying side payments demands creativity and will entail time. The next chapter contends with these issues of economic mechanisms and side-payments to identify potential paths for US-India relations. In order to accomplish this feat, “The economic dialogue must aim to increase the integration of the American and Indian economies with the intent of maximizing gains for both so as to support the rise of Indian power” in the region.¹¹¹ In that sense, the focus falls squarely on the region that should drive the greatest benefits, namely the Western Indian Ocean Region. A combined thrust in this area serves both states interests and takes the focus off East and Southeast China.



¹¹¹ Tellis, “India as a New Global Power: An Action Agenda for the United States,” 52.

Chapter 5

Accelerating Future Possibilities

Statesmen on both sides have bemoaned this period as ‘the lost half century’ or ‘the fifty wasted years’ during which the world’s largest democracy and the world’s oldest democracy failed to cooperate consistently across a range of issues.

David Malone

The opportunities confronting the United States and India are truly boundless. Both sides have only scratched the surface of their potential cooperation. At a time when the United States and India face the common challenge of maintaining a favorable balance of power in Asia, they cannot afford to fail.

Ashley J. Tellis

US-India Relationship: The Dynamic Duel

In the 5th century B.C.E., Thucydides established a standard for attempting to understand the complex international environment. He understood that the future would be predicated by the present, since the present was predicated by the past. Heraclitus, also from this epoch, issued the phrase “nothing endures but change,” words that underwrite the eternal human condition. Change produces uncertainty and coping with uncertainty remains the eternal challenge for society. To cope with uncertainty, humans develop plans and strategies to place as much of the environment under control as possible. Control will never be complete due to change, but states can formulate policy to reduce variables. An astute understanding of the environment plays a critical role in formulating policy that matches strategy.

Since the Treaty of Westphalia, multipolar orders have been the norm, rather than the exception in the international system. It has only been in the past fifty years that bipolar and subsequently unipolar orders defined the international system. Coming to terms with the reestablishment of multipolarity in the 21st Century has produced confusion and increased uncertainty in the international order. The US and India have the ability to reduce some of the confusion and uncertainty, but that requires a concerted long-term focus, which to date, has not been the norm. The following outlines the future advantages and disadvantages that will influence the relationship. The influences reveal both the need and capability to establish a positive economic regime with decreased

barriers and increased agreement between the two states, which should reduce relative gains sensitivities.

The US-India historical backdrop presented in the previous two chapters, when combined with IR theoretical aspects, enables a better understanding of the potential for future state interactions. This chapter offers three potential courses of action (COAs), focusing attention on advantages and disadvantages of each option. The three COAs offered are *Neutral Interaction*, *Reverse Interaction*, and *Accelerated Interaction*. Of course, any prediction is subject to the whims of change and can be negated as fast as it is created. The challenge then is developing COAs that capitalize on what is known and adjusting for what is possible.

Analysis of the three COA candidates for long-term applicability in US-India security and economic regimes, synthesizes what is known with identified potential future influences. The future influences presented next concentrate on each state individually, and then proceed to relevant economic factors. The COA analysis follows this section, including potential economic mechanisms available to improve the economic regime. The importance of improving the economic regime becomes apparent in the last section, which identifies an area of concentration as the Western Indian Ocean Region (WIOR).

India: A troublesome past, a worried future

India's youthful society offers advantages and disadvantages as it looks to the future. India's "current median age is 25, and by 2025, according to the United Nations Population Report, it will rise to 29.7."¹ Not only is the population young, it represents a large and growing middle class. As of 2010, Asia's middle class stands at 1.8 billion and projections show an increase to 4.8 billion by 2050.² The promise and problem of India's future exists in the estimates that by 2030 India will be "the largest driver of middle class growth" and that by 2060, "India will account for 18 percent of global economic growth."³ If India can take advantage of its population and economic growth, it will be

¹ Amit Gupta, *Global Security watch—India*, Global Security Watch, (Santa Barbara, Calif: Praeger, 2012), 9.

² Kishore Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World*, (First edition. New York: PublicAffairs, 2013), 135.

³ Sadanand Dhume and Julissa Milligan, "Falling Short: How Bad Economic Choices Threaten the US-India Relationship and India's Rise," *American Enterprise Institute*, Oct 2013, 1.

able to assert more effectively its presence in the region. If not, it will become the greater part of the problem in South Asia and the extended region.

Growth in the middle class requires a prosperous economy to provide for its needs. That prosperity depends on a deeper engagement with the international economy and discarding self-serving inward proclivities. Relying on domestic growth protects India from some uncertainty in the international economic market, but it will not provide the necessary economic boost required to support a burgeoning middle class. India's youth raised in a globalized world are presumably free from the "baggage of colonialism and the economic and military crises that India faced in the immediate years after independence."⁴ A delicate challenge for Indian society is rejecting the NAM mindset.

India's commitment to NAM shackles its capabilities and helps perpetuate a developing state image. India can still represent the developing world as a strong voice in the international community; however, increased sensitivity over past wrongs and their sense of manifest destiny, mutes India's voice. The sensitivities lead to reactive Indian policies, instead of proactive ones, which translate into tactical short-term gains, instead of long-term strategic ones.⁵ India's stature naturally places it in a position of leadership, but the tactical, short-term actions are not indicative of a regional leader. The fragile neighborhood needs a stable, strong India to secure long-term stability and freedom of action. An Indian economy better integrated in the international economy could potentially fix these woes.

The Indian economy has been on the upswing for the better part of two decades, but that upswing has not solved numerous issues. Goldman Sachs estimates that "the Indian economy will expand at an average rate of 8.4 percent through 2020."⁶ Even with that economic growth, serious issues remain. As of 2010, "experts estimate that in order to sustain robust economic expansion, the government must spend approximately five times the \$30 billion it has currently earmarked for yearly infrastructure expenditure."⁷

⁴ Gupta, *Global Security watch—India*, Global Security Watch, 10.

⁵ David Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, (Oxford ; New York: Oxford University Press, 2011), 286.

⁶ Aspen Institute India Joint Study Group Report, "The United States and India: A Shared Strategic Future," *Council on Foreign Relations*, September 2011, 5.

⁷ Sumit Ganguly, *India's Foreign Policy: Retrospect and Prospect*, (New Delhi: Oxford University Press, 2010), 267. Also identified in Kronstadt, K. Alan, Paul K. Kerr, Michael F. Martin and Bruce Vaughn,

The allotted expenditure is a startling low figure for an advanced economy where over 400 million people live without electricity.⁸

Indian woes in infrastructure and agriculture are two of the biggest domestic impediments in optimizing economic performance.⁹ The lack of improved infrastructure affects India's ability to feed its people and compete in the agricultural market. "The agricultural sector, which accounts for around 15 percent of the country's GDP and employs about 50 percent of its work force" is a constant worry.¹⁰ Estimates indicate that between 30 to 40 percent of India's agricultural production is lost to waste.¹¹

Wasted agricultural products serve to keep India in a perpetual state of poverty. Currently, India's population numbers over 1.25 billion and 60% of its population is at or below the poverty line.¹² India tends to employ protectionist measures to defend against potential negative international interference in its economy. Ironically, the self-protection measures intended to insulate the economy from negative influences, are themselves negative in that they create a hostile environment for international trade and investment. India needs better integration in the global economy to reap the benefits of this large population, especially due to its lack of natural energy resources.¹³

India's continued economic development depends on consistent natural energy resource supplies. Gupta relates that "unless there are major discoveries of oil or other energy resources, India will remain a natural resource poor nation that will be dependent on the international energy market."¹⁴ That forecast increases India's dependence on unfettered access to the natural energy resources from Central Asia and Eastern Africa,

"India: Domestic Issues, Strategic Dynamics, and U.S. Relations," Congressional Research Service, The Library of Congress, 1 Sep 2011, 51.

⁸ Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World*, 136.

⁹ Gupta, *Global Security watch—India*, Global Security Watch, 9.

¹⁰ Pratap Bhanu Mehta, "How India Stumbled: Can New Delhi Get Its Groove Back?," *Foreign Affairs*, July/August 2012, <http://www.foreignaffairs.com>.

¹¹ Sumit Ganguly, *India's Foreign Policy: Retrospect and Prospect*, 267.

¹² Denise Youngblood, Ph.D, Editor in Charge, 2013 Country Review, India, 1 and Kronstadt, K. Alan, Paul K. Kerr, Michael F. Martin and Bruce Vaughn, "India: Domestic Issues, Strategic Dynamics, and U.S. Relations," Congressional Research Service, The Library of Congress, 1 Sep 2011, 49.

¹³ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 294-295.

¹⁴ Gupta, *Global Security watch—India*, Global Security Watch, 10. Ashley Tellis agrees with this point in Ashley J. Tellis, "India as a New Global Power: An Action Agenda for the United States," (Carnegie Endowment for International Peace, 2005), 19.

and includes the sea lines of communication that tie them together.¹⁵ Today, India enjoys relative freedom of action in the Indian Ocean, but China's encroachment in the region serves to complicate that freedom. Malone contends that India and China are poised to compete in three areas: natural resources for energy security, markets in developing countries, particularly in Africa, and international trade.¹⁶ In all of these challenge areas, the US is in a position to assist India; however, the thorny issue of sovereignty poses limitations.

Sovereignty concerns are not a new phenomenon. All states fear the erosion of sovereignty through interaction with other states. The issue is relative: developing states seem to have higher sovereignty sensitivities due to power deficiencies; developed nations have a relatively lower sovereignty sensitivity, but still fear power and position degradations.¹⁷ India's sovereignty sensitivity is due to its history, where it feels entitled to a prominent power position; however, the powers in the order do not recognize India as such since, "the transition of its foreign policy remains incomplete."¹⁸ Self-proclaimed entitlement does not translate into power, and waiting for the opportunities to appear creates delays in achieving what is possible today and for the future.

The Western powers are in a relative decline, as one would expect when the international order is settling into a multipolar character. However, that relative decline should not encourage India to wait on the sidelines indefinitely, especially with a rising China on its border.¹⁹ The US and China have already stifled India's bid for a UN Security Council seat, but the timing of each occurrence is interesting. In 1992, the US exercised its power to deny India's bid for a UNSC seat, while China sat quiet.²⁰ A decade later, the US supported India's bid, but now China stands in the way.²¹ The US tactic essentially sent a warning to India for its history, where China is sending a

¹⁵ S. Kalyanaraman, "Fear, Interest, and Honour: The Thucydidean Trinity and India's Asia Policy," *Strategic Analysis*, Vol. 37, no. 4, 2013, 383.

¹⁶ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 144.

¹⁷ Matus Halas, "Post Scriptum on Relative and Absolute gains," *Perspectives: Review of International Affairs*, Vol. 17, No. 1 2009, 46.

¹⁸ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 272.

¹⁹ In *The United States and Asia: Toward a New U.S. Strategy and Force Posture*, Project Air Force, (Santa Monica: Rand, 2001), 207, the report states that the relative difference in power between India and China is not as great as other power relationships in the region, which gives India a large margin of maneuver.

²⁰ C. Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, (New Delhi; New York: Penguin Books, 2005), 258.

²¹ Gupta, *Global Security watch—India*, Global Security Watch, 63.

powerful message for the future. From this, one could conclude that India is failing its friends and encouraging its adversaries.

India's fear of being a junior status partner to the US stifles economic cooperation. Shortsighted aims are setting India up for that status or worse. Gupta asserts, "Indian attempts to gain greater influence in the world will rest on its future links with the United States."²² In this, the combined efforts are greater than the parts in overcoming individual sub-optimality. For this to occur, India needs to push out the typical self-serving, inward directed foreign policy with the old guard.

As this occurs, the two states can capitalize on benefits each brings to the partnership. The US can assist in each of these areas, but India must come to realize that constantly shifting shortsighted policies hurt itself and external partnerships. The US and India have allowed political "transient irritants to undermine an underlying harmony of interests" where the "world's most powerful and the world's most populous democracies should be allies not antagonists."²³ The US needs to also break out of the short-term focus and develop long-term policies that increase its prestige and leadership in the new multipolar international environment.

US: Goliath's Challenges

The US retains a unique position in the international system. As a regional hegemon, it is witnessing the rise of numerous regional powers. Realists commonly accept that with the rise of one or more powers comes the relative decline of others.²⁴ The past fifty years of hegemony allowed the US to develop and maintain an international order according to its interests.

Today, the rising powers seek to challenge the US-dominated system, as would be expected. The result is that the US must adjust its assessment of the international environment to one where it can retain a leadership role, but acknowledge that it will not be alone. Unilateral policies prevalent in the past will not have much purchase in this international order. Go-it-alone opportunities are out of fashion as multilateral

²² Gupta, *Global Security watch—India*, Global Security Watch, 167.

²³ Ramesh Chandra Thakur, *The Politics and Economics of India's Foreign Policy*, (London : New York: Hurst ; St. Martin's Press, 1994), 176.

²⁴ Robert Gilpin, *War and Change in World Politics*, (Cambridge; New York: Cambridge University Press, 1981), Kenneth N. Waltz, *Theory of International Politics*, (Long Grove, Ill.: Waveland Press, 2010), and John J. Mearsheimer, *The Tragedy of Great Power Politics*, (New York: Norton, 2001) among others.

engagements increase.²⁵ A global multipolar order with regional multipolar subsets demands such a change.

State image play a major role in IR. Tarnishing of US image in the international arena has been occurring for years and it will take some effort to overcome the damage. The US has followed Thucydides' elucidations from 430 B.C.E., where as the strongest power in the world, it has done what it would, regardless of international opinion. However, the current international dynamic demands a different approach, and India is in position to assist the US in this endeavor. Gupta contends, "If the United States is to counter charges of being an imperial power in the non-Western world, it will require non-Western states by its side."²⁶

Presidents Bush and Obama have made strides in this task concerning India. Each placed a stake in the international order for India, first as an emerging power, then as one that has emerged.²⁷ Different interpretations arise out of the US declarations. On one hand, US strategy restrains states' freedom of maneuver by burdening emerging states with increased responsibility.²⁸ On the other hand, encouraging emerging powers to grab a bigger stake in the manipulation of the international order allows the US to retreat slightly, while providing leadership where warranted. However, India has not taken on the expected responsibilities envisioned by the US. Often the problem of translating US policy arises from its duplicitous nature of intertwining realism and liberalism.

The US has a problem with combining realism and liberalism and developing concurrent policies. Arguably, the US has an issue with appearing as a realist state; therefore, it couches realist policies in liberal rhetoric.²⁹ Additionally, Mahbubani claims that the US sees right or wrong solutions, but cannot work in the middle.³⁰ This leads to perceptions of inconsistent policies and an inability to develop true partnerships.³¹ It also affects the acceptance of institutions that the US and the West have nurtured since the end of WWII.

²⁵ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 174.

²⁶ Gupta, *Global Security watch—India*, Global Security Watch, 82.

²⁷ Ashley J. Tellis, "India as a New Global Power: An Action Agenda for the United States," (Carnegie Endowment for International Peace, 2005), 14

²⁸ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 175.

²⁹ John J. Mearsheimer, *The Tragedy of Great Power Politics*, (New York: Norton, 2001), 22-26.

³⁰ Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World*, 142.

³¹ Thakur, *The Politics and Economics of India's Foreign Policy*, 151.

After WWII, the international economy received a major boost from the establishment of international institutions such as the WTO, International Monetary Fund, and the World Bank. Since their establishment, Mahbubani, Robert D. Kaplan, and Gilpin conjunctively conclude that the Western long-term strategy for the international institutions is to increase institutions acceptance by forcing harmony across issue areas, and when that fails, Western states undermine the institutions through protectionist measures or by ignoring those institutions.³² As emerging powers have a greater voice in the international environment, the US will have to adjust to changes in the environment it created and nurtured for the last half decade. Adjustments will be difficult due to cognitive dissonance, but staying the course when one needs to veer inevitably leads to a crash.³³ Avoiding the crash needs to be at the forefront of US policy, which will mean increased integration of multipolar regional actors.

India plays a major role as a regional multipolar pivot point to tackle regional issues. The US and India have a stable foundation to build upon, especially since “many of America’s global challenges are India’s regional challenges.”³⁴ The challenges are both security and economic, and the two states bring different advantages and perspectives to the table.

US acceptance of India as an emerged Asian power requires devising policies with a long-term agenda. Currently, the US seems to stymie India’s rise as a *global* power while simultaneously encouraging its rise as a *regional* power, which under the recent circumstances seemed warranted. However, the US needs a consistent policy towards India that matches attention and resources to India’s future strategic importance in the region.³⁵

Calculating India’s importance to the US solely based on power comparisons to China is misdirected. The myopic focus fails to consider India’s importance in the

³² Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World*, 224 and Robert Gilpin, *Global Political Economy: Understanding the International Economic Order*, (Princeton, N.J: Princeton University Press, 2001), 194 and Robert Kagan, *The Return of History and the End of Dreams*, (New York: Vintage, 2009), 50.

³³ For more information on cognitive dissonance see Robert Jervis, *Perception and Misperception in International Politics*, (Princeton, N.J: Princeton University Press, 1976), 382-393.

³⁴ Aspen Institute India Joint Study Group Report, “The United States and India: A Shared Strategic Future,” *Council on Foreign Relations*, 3.

³⁵ National Bureau of Asian Research, “India as a ‘Global Swing State’: A New Framework for U.S. engagement with India,” *Policy Q&A*, July 2013.

greater Indian Ocean region.³⁶ Additionally, the US needs to recognize that democracies differ; such is the nature of IR. Values provide a starting foundation, but do not account for critical differences in regional constructs, historical baggage, or the various perspectives of international order held by each individual states.³⁷ “India will have substantive policy differences with the United States not only because of regional differences but also because there is a great difference in the levels of wealth and development between the two countries.”³⁸

Wealth and development are where the two states can converge effectively. The economic relationship, however, will not be a one-for-one exchange. Many assert that the US is giving more in the relationship than it receives.³⁹ For example, the Indian decision to forego a purchase deal in the area of multirole combat aircraft has been identified as a breach of trust.⁴⁰ Taking into consideration India’s past, the action is not surprising and the US should not view this as a fracture in the relationship. Again, a long-term focus is difficult, but necessary in the international economy.

The Economic Machine

The US and India must foster the fledgling economic regime for each state to reap the necessary benefits. “Economically, India needs American capital and technology...and given its size and resources, an India that was firmly integrated into the world financial markets would be a major boost to international capitalism.”⁴¹ India continues to claim it is liberalizing economic policies, but at the same time continues or

³⁶ The Heritage Foundation, “Beyond the Plateau in U.S.-India Relations,” Special Report from the Asian Studies Center, No. 132, 26 Apr 2013, 5.

³⁷ Matus Halas, “Post Scriptum on Relative and Absolute gains,” *Perspectives: Review of International Affairs*, Vol. 17, No. 1 2009, 52. Halas proposes that “payoff symmetry is a direct consequence of the neorealists’ arguments about variance in the sensitivity coefficient” in regards to power, but offers that “other variables such as geography, history of interactions or uncertainty may be as appropriate” and would “enhance its reliability with respect to the real world situation.”

³⁸ Gupta, *Global Security watch—India*, Global Security Watch, 99 and Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, (Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, 2007), 243.

³⁹ Matthew Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” Center for Strategic & International Studies, A Report of the Wadhvani Chair in U.S.-India Policy Studies, November 2012, 1 and Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, 310.

⁴⁰ Ashley J. Tellis, “Opportunities Unbound: Sustaining the Transformation in U.S.-India Relations,” Carnegie Endowment for International Peace, 2013, 10. Also mentioned in Kronstadt, K. Alan, Paul K. Kerr, Michael F. Martin and Bruce Vaughn, “India: Domestic Issues, Strategic Dynamics, and U.S. Relations,” Congressional Research Service, The Library of Congress, 1 Sep 2011, 5.

⁴¹ Thakur, *The Politics and Economics of India’s Foreign Policy*, 176.

renews bad international economic practices such as protectionism. In fact, “nearly every expert group looking at India’s economy calls for greater liberalization of the trade and investment regimes, investment in infrastructure, and rationalization of the regulatory climate.”⁴²

These recommendations are included in the economic mechanisms discussed later in this chapter. As mentioned in the previous chapter, India cannot effectively entice foreign trade or investment when it ranks in the lower 25% on the ease of doing business rankings produced by the World Bank.⁴³ The path to economic prosperity between the two states will initially be measured in small steps, not leaps and bounds.

For the past twenty years, the US and India have been adjusting to one another in small steps. Each step is valuable in the long-term, but leads many to feel that the relationship has not reached a level deemed appropriate for the two states. In fact, “since the 1990s, U.S. India policy has been led by cooperation on security affairs” and India’s gains in global prestige have supported their policy agendas; however, there remains a “wide gulf” between the states on economic matters.⁴⁴

The future relationship of the two states will tell much about how the Asian balance of power will play out. Specifically, projections show Asia’s share of the global economy to be “43 percent by 2025, thus making the continent the largest single center of economic power worldwide.”⁴⁵ In the Asian economy, the US competes with China and cooperates with India, which reveals an important aspect of the current international economy.

Globalization has led to an interesting dynamic in IR, where friend, foe, and neutral states all increasingly interact economically in the global market. Tellis claims “the key distinguishing characteristic of this universe will be that a state’s economic

⁴² Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, Edited by Henry D. Sokolski, (Carlisle Barracks, PA: Strategic Studies Institute, U.S. Army War College, 2007), 322.

⁴³ Sumit Ganguly, *India’s Foreign Policy: Retrospect and Prospect*, 267.

⁴⁴ George J. Gilboy and Eric Heginbotham, “Double Trouble: A Realist View of Chinese and Indian Power,” *The Washington Quarterly*, Summer 2013, 139, K. Alan Kronstadt, “India-U.S. Relations,” *Congressional Research Service*, The Library of Congress, 101 Independence Ave, SE, Washington, DC, 30 Jan 2009, 14, and Matthew Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” *Center for Strategic & International Studies, A Report of the Wadhwani Chair in U.S.-India Policy Studies*, November 2012, viii.

⁴⁵ Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, 248.

relations with its rivals will have a critical effect on its ability to produce the political, economic, and military power needed to defend its strategic interests against those very adversaries.”⁴⁶ The fact that the US, India and China are locked in a triangular economic relationship proves Tellis’ claim.

Often, US dialogue about containing China includes India as an economic balancer. India steadfastly declines this position since it does not want to antagonize China or to be viewed as a US pawn. In both circumstances, India feels that it can check US and China power by playing each of them off one another. Unfortunately, India will most likely lose this game in two ways. First, India will fail to enhance an existing quasi-cooperative relationship with the US, which could improve India’s power. Secondly, China could be encouraged by India’s passivity and lack of economic progress to act more aggressively when pursuing its interests in India’s sphere of influence.⁴⁷ India’s issue with shortsighted political aims is partially a product of the post-Cold War transition.

The transitional international order has encouraged state’s short-term focus in the international order. Mahbubani claims that global leaders have taken on the responsibility of managing the global economy, but “they have focused only on short-term and narrow national interests, not on global interests.”⁴⁸ Global interests are important; however, the answer lies in between global and state levels at the regional level.

Concerns with state-level interests create over 190 disparate pockets of economic determinants. Conversely, since holistic control over a global economy is not currently fathomable, regional economic regimes can serve to bound portions of the global economy into manageable pieces. Clustering states in regional regimes creates a broader synthesis of structural principles (issue areas) and rules (processes). For this to occur, the US and India have to overcome fifty years of mutual stiff-arming in order to bring the states mixed-motive economic interests closer to a harmonious relationship.

⁴⁶ M. L. Sondhi, Prakash Nanda, and M. J Akbar, *Rising India: Friends and Foes : Essays in Honour of Prof. M.L. Sondhi*, (New Delhi; Olympia Fields, IL: Lancer, 2007), 127.

⁴⁷ Kronstadt, K. Alan, Paul K. Kerr, Michael F. Martin and Bruce Vaughn, “India: Domestic Issues, Strategic Dynamics, and U.S. Relations,” Congressional Research Service, The Library of Congress, 1 Sep 2011, 21.

⁴⁸ Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World*, 65.

For a relationship to move towards harmony, the issue under debate needs to have lower barriers and higher agreement resulting in a non-zero-sum interaction. Currently, “Indian experts point to a wariness of ‘multi-motive’ gains and a tendency by Indian negotiators to default to zero-sum calculations.”⁴⁹ Similar to the perceptions of US black and white policies, India rarely compromises, especially with larger powers. This places the economic regime on a zero-sum platform, with few paths available for harmonious cooperation today. However, the states can achieve higher levels of agreement if the states view reciprocity gains differently.

Reciprocity, in general, is the mutual exchange of some good or service between two or more actors, where the reciprocated item does not have to be of the same kind. For the US and India, one potential reciprocal area is the money-labor relationship. “The US is capital-rich and land-rich, India is labor rich.”⁵⁰ The combination of the two would be a beautiful symmetry of economic prowess; however, the state’s competitive relationship prohibits the symmetry and misses huge gains.⁵¹

One of India’s presumable fears is that the US will ascribe to a pseudo-isolationist political stance, leaving India without a reliable economic partner.⁵² Tightening US budgets and decelerating international economies increases India’s fears of cooperation.⁵³ Ironically, India’s fears are indicative of its own isolationist political practices that create major impediments to international engagement in India. The solution is engagement, not retreating within the borders of each state.⁵⁴ Effective engagement occurs when rules are established, nurtured, and matured in formalized institutionalized mechanisms.

Institutionalized mechanisms provide numerous opportunities. For example, the democratic nature of the two states means continuous changeover in governing personnel.

⁴⁹ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 271.

⁵⁰ The Heritage Foundation, “Beyond the Plateau in U.S.-India Relations,” Special Report from the Asian Studies Center, No. 132, 26 Apr 2013, 18 and Sondhi, M. L., Prakash Nanda, and M. J Akbar. *Rising India: Friends and Foes : Essays in Honour of Prof. M.L. Sondhi*. New Delhi; Olympia Fields, IL: Lancer, 2007, 120.

⁵¹ Grieco posits that the norm of reciprocity is perceived to become less operational in international economic relations and probably increased the sensitivity of states to relative gains. Joseph M. Grieco, “Realist Theory and the Problem of International Cooperation: Analysis with an Amended Prisoner’s Dilemma Model,” *The Journal of Politics*, Vol. 50, No. 3 (Aug., 1988), 620

⁵² *India as an Emerging Power*, Editor Sumit Ganguly, (London ; Portland, OR: Frank Cass, 2003), 23.

⁵³ Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World*, 181 and Fontaine, Richard, “From Romance to Realism in U.S.-India Ties,” *The Diplomat*, 16 Oct 2013.

⁵⁴ The Heritage Foundation, “Beyond the Plateau in U.S.-India Relations,” 26 and *India as an Emerging Power*, Editor Sumit Ganguly, (London ; Portland, OR: Frank Cass, 2003), 25.

Constant changeovers can defeat any progress that has not been formalized. Tellis indicates that “durable institutional solutions” will remain through the brief and changing personalities evident in both state governmental personnel.⁵⁵ The institutions provide a stable foundation for future engagement regardless of changes in leadership and policy.

Another example includes forging relationships since these provide the cornerstones to any bilateral agreement. George J. Gilboy and Eric Heginbotham argue “building stronger U.S.-India ties is an end in itself” founded on principles of reciprocity, which is “the bedrock of stable and mutually beneficial relations.”⁵⁶ Reciprocity and relative gains sensitivities are critical factors in this relationship. The US and India have strong ties in the security regime, but the economic regime requires a long-term vision. Tellis, one of the authorities on US-India relations sums it up best when he states that it is a “high-maintenance relationship.”⁵⁷

The US-India security-economic relationship trajectory can follow numerous paths in the future. The chosen path depends on how each state copes with the international system and related systemic changes. The remainder of this section discusses three possible COAs.

COA’s – Neutral Interaction, Reverse Interaction, or Accelerated Interaction

Neutral Interaction, the first possible COA, entails following the established relationship precedent. As indicated in the preceding chapters, the security regime has lower barriers and higher agreement than does the economic regime. In this case, the relationship maintains the status quo, in which the security regime is positive and the economic regime is neutral, trending towards the negative.

As such, India will continue to be plagued by Cold War traditions of playing the economic middle ground between China and the US, two of the largest power players in the international system.⁵⁸ In this case, the US will continue to engage China competitively at the expense of India’s freedom of maneuver and South Asian stability in general. The probability is high that China would emerge as the Asian hegemon,

⁵⁵ Tellis, “Opportunities Unbound: Sustaining the Transformation in U.S.-India Relations,” 29.

⁵⁶ Gilboy and Heginbotham, “Double Trouble: A Realist View of Chinese and Indian Power,” 139.

⁵⁷ Tellis, “Opportunities Unbound: Sustaining the Transformation in U.S.-India Relations,” 30.

⁵⁸ Russia will influence the international system, but it is the degree of influence which serves to complicate future matters.

challenging not only the US but also India for domination over the entire Asian region, as well as Africa due to natural energy resource requirements.

The US-India security arrangement remains the same, but increased complexity of the security environment strains the arrangement. A potentially aggressive China underwriting Pakistan security will place India in a precarious position between those two states. The fact that China will aggressively court Central Asian and African states for natural energy resources results in China virtually encircling India. The result is a negative slide for both the security and economic regimes. The *Neutral Interaction* COA does not serve US-India long-term interests, but perpetuates the short-term focus that has elevated relative gains sensitivities.

Next, in the *Reverse Interaction* COA, the US and India concentrate on the economic regime and the byproduct is an enhanced security regime. Gilboy and Heginbotham assert that the US should limit the relationship in the security realm and focus on “increasing mutual commitments to trade and direct investment” whereby the “reciprocal political and economic alignment should provide the basis for greater military and geostrategic cooperation.”⁵⁹ Reversing the current trend, as advised by some authors, does have merit since increasing economic prosperity can naturally translate into security gains. The negative consequences; however, counteract the merits.

The US-India cooperative security regime serves both states’ short-term interests. In fact, Arvind Panagariya proposes, “outside of the highly complex security area, there is very little beyond the atmospherics that the governments can do to promote partnerships.”⁶⁰ Unfortunately, the short-term focus has established a paradigm that negatively affects long-term interactions required for the economic regime. The US could reverse the economic trend forcing India towards better economic integration; however, the blowback from this decision would be catastrophic to the security regime foundation built over the past twenty years. It would once again signal to India and the international system inconsistent US policies towards Asia and developing states.

Arguably, this COA passed its time of applicability when the states concentrated on the security regime. Therefore, the conclusion is that the *Reverse Interaction* COA,

⁵⁹ Gilboy and Heginbotham, “Double Trouble: A Realist View of Chinese and Indian Power,” 140.

⁶⁰ George Perkovich, “Toward Realistic U.S.-India Relations,” *Carnegie Endowment for International Peace*, 2010, 10.

while possessing merit, is not feasible and would be detrimental to both security and economic regimes. High barriers and low agreement of the economic regime plague the *Reverse Interaction* COA.

Accelerated Integration, the last COA, seems to hold the most promise in this regard, but requires formalized mechanisms to break the current stagnation in the economic regime. Accelerating the economic regime remains a complex endeavor. The US and India have built a semi-stable economic regime over the past twenty years. As identified in chapter 2, a regime must be persistent, but not necessarily have minimum standards of effectiveness.

Currently, the US and India base the economic regime more in mutual recognition than mutual trust, which leads to inconsistencies. Inconsistency and the lack of trust retards the anticipated growth, leading to a discontinuous economic regime described as stalled, plateaued, and stagnated.⁶¹ A major indicator of this is that the US-India Trade Policy Forum has not met since 2010 to discuss trade matters.⁶² The US and India require a *persistent* and *effective* economic regime to alleviate these types of problems.

The problem seems to reside in both perceptible and tangible long-term gains. Accelerating the economic regime to overcome the negative descriptors and setting it on a trajectory that will reap the expected benefits takes time, effort, money, and dedication. Inherent in all of these characteristics is the realization that the two states must overcome or accept divergent issues. Economic mechanisms exist that can mitigate the divergences, but they need to be analyzed according to what each formalized mechanism can achieve while contending with the systemic international issues that each will confront. Discussed next are possible mechanisms to increase the economic regime key pillars of trade and investment.

Trade and Investment Mechanisms

An accelerated US-India economic regime requires mechanisms for enhancing the relationship. Both trade and investment are required for a holistic approach to

⁶¹ The Heritage Foundation, “Beyond the Plateau in U.S.-India Relations,” Special Report from the Asian Studies Center, No. 132, 26 Apr 2013 and Kronstadt, K. Alan, Paul K. Kerr, Michael F. Martin and Bruce Vaughn, “India: Domestic Issues, Strategic Dynamics, and U.S. Relations,” Congressional Research Service, 2.

⁶² Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” ix, and Karl F. Inderfurth and Persis Khambatta, “US-India Insight, U.S.-India Economic Ties: Getting Down to Business,” Center for Strategic & International Studies (CSIS), Wadhwani Chair in U.S.-India Policy Studies, October 2013.

international economic prosperity; however, the two areas are different. The suggested economic mechanisms identified below, no matter the type, serve as credible commitment devices that focus on lowering barriers and increasing agreement.

Authors conclude that instead of multilateral agreements, bilateral or regional cooperative characteristics define many contemporary agreements.⁶³ States prefer to negotiate in this manner vice global arrangements, which seems to add evidence to the argument for identifying multipolar regional subsets, and interacting with those areas individually. The following briefly details common economic mechanisms available for the US and India economic regime starting with trade.

Common international trade mechanisms include Free Trade Agreements (FTA) or Preferential Trade Agreements (PTA).⁶⁴ A PTA contains provisions to increase trade integration between state economies,⁶⁵ which “allow the agreeing nations to focus on their comparative advantages and to produce the goods they are comparatively more efficient at making, thus increasing the efficiency and profitability of each country.”⁶⁶ From Chapter two’s discussion on Regime Theory and institutions, a PTA represents a high level of harmony in a relationship and is “an effective mechanism for locking in reform policies, mobilizing domestic political support for liberalization, and spurring additional trade liberalization.”⁶⁷ All of these trade factors are relevant to the stalled US-India economic regime, but investment represents another side of the economic equation.

International investment mechanisms establish the regulatory climate in which two states interact economically outside of trade. A Bilateral Investment Treaty (BIT) contains elements of a regime since “these treaties establish the norms, terms, and conditions for private investment by nationals and firms of one country in the jurisdiction

⁶³ Helen V. Milner, “Introduction: The Global Economy, FDI, and the Regime for Investment,” *World Politics*, Vol. 66, Issue 01, January 2014, 3 and Todd Allee and Clint Peinhardt, “Evaluating Three Explanations for the Design of Bilateral Investment Treaties,” *World Politics*, Vol. 66, Issue 01, January 2014, 82.

⁶⁴ The following discussion will use FTA and PTA interchangeably as both are used as frames of reference.

⁶⁵ Eric De Brabandere, “Co-existence, Complementarity or Conflict? Interaction between Preferential Trade and Investment Agreements and Bilateral Investment Treaties,” Paper presented at the conference ‘Preferential Trade and Investment Agreements: A new Ordering Paradigm for International Investment Relations?’, 5.

⁶⁶ http://www.investopedia.com/terms/f/free_trade_area.asp

⁶⁷ Army War College (U.S.), and Nonproliferation Policy Education Center, *Gauging U.S.-Indian Strategic Cooperation*, 322 and Ashley J. Tellis, *India as a New Global Power: An Action Agenda for the United States*, (Carnegie Endowment for International Peace, 2005), 53.

of another country.”⁶⁸ Usually, BITs form in an asymmetric relationship, where the weaker economic state (host) encourages investment from a stronger state (host).

The main objectives of a BIT are to achieve the “admission, treatment, and protection of foreign investment” for both the home and host states, which is not covered by the WTO.⁶⁹ Member states of the WTO developed consensual multilateral institutions for trade, but were unable to do the same for investment, as a result “there are no multinational institutions that meaningfully govern the flow of FDI between countries, so governments have relied on BITs.”⁷⁰ Through mutual agreement, home and host states develop BITs regulatory measures according to each other’s needs. Since trade and investment interlace in the global economy, an economic mechanism that includes provisions for both arises in the form of a Preferential Trade and Investment Agreement (PTIA).

The integrative approach of a PTIA allows states to adjust trade and investment measures in parallel. Additionally, a PTIA is an “important departure from BITs as a launching point for liberalization process instead of the mere protection of foreign investment.”⁷¹ For the US-India economic regime, liberalization and resource protection are key measures of success; however, the formalization of rules may be the first measurement of success.

The extended benefits of an economic mechanism “would provide a more robust and long-term sense of certainty in the Indian investment climate for American businesses, but also make India more attractive for other investors”⁷² as it sets the example for other states to emulate.⁷³ For India, in addition to attracting FDI flows, a formalized economic mechanism serves as “an insurance policy against stray

⁶⁸ Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” 15. The normative aspects of BITs are also identified by Beth A. Simmons, “Bargaining Over BITs, Arbitrating Awards: The Regime for Protection and Promotion of International Investment,” *World Politics* 66, Issue 01 (January 2014), 14.

⁶⁹ De Brabandere, “Co-existence, Complementarity or Conflict? Interaction between Preferential Trade and Investment Agreements and Bilateral Investment Treaties,” 10.

⁷⁰ Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” 15.

⁷¹ De Brabandere, “Co-existence, Complementarity or Conflict? Interaction between Preferential Trade and Investment Agreements and Bilateral Investment Treaties,” 23.

⁷² Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” 20.

⁷³ Dhume and Milligan, “Falling Short: How Bad Economic Choices Threaten the US-India Relationship and India’s Rise,” 14.

protectionist impulses that arise in America from time to time.”⁷⁴ Even though “both countries fulfill the necessary prerequisites” to formalize an economic mechanism such as a BIT, PTA, or PTIA, power disparities seem to derail cooperation.⁷⁵ Changes of economic power positions in the international order affect relative gains sensitivities.

Relative gain gap sensitivities seem to be the major factor holding the states back from concluding a formalized economic mechanism, which would reduce those sensitivities. Matthew Stokes observes that, “A series of smaller, sector-specific trade agreements is a more feasible and prudent way to continue advancing the economic relationship even though such a piecemeal approach is uncommon for the United States.”⁷⁶ Concentrating on specific sectors is one way; creating side-payments is another.

SIDE-PAYMENTS: Let’s Talk Apples and Oranges

Side-payments are incentives that encourage or enhance collective processes in an issue area. An issue area that incurs high relative gain gap sensitivities is primed for such side-payments. Side-payments represent a manner in which regimes “facilitate the reduction of potential or emerging gaps in gains arising from cooperation which, given a state’s particular level of sensitivity to gaps in gains, might otherwise reduce that state’s attraction to joint action.”⁷⁷ Duncan Snidal’s assertion that “relative gains concerns peak when states are roughly equal and drop off when one state is either far behind, or far ahead of, the other” offers little to the US-India regime analysis.⁷⁸

In terms of global economies, the US and India are number one and three respectively; however, when compared together, the US GDP (purchase power parity) is \$16.24 trillion and India’s is \$4.72 trillion.⁷⁹ (The number two economy is China: \$12.27 trillion see appendix C) The disparity in power would indicate that low relative gains sensitivities should be apparent. Following the framework of the paper, other factors

⁷⁴ Dhume and Milligan, “Falling Short: How Bad Economic Choices Threaten the US-India Relationship and India’s Rise,” 15.

⁷⁵ Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” 17.

⁷⁶ Stokes, “BIT and Beyond: Advancing the U.S.-India Economic Relationship,” viii.

⁷⁷ Joseph M. Grieco, “Realist Theory and the Problem of International Cooperation: Analysis with an Amended Prisoner’s Dilemma Model,” *The Journal of Politics*, Vol. 50, No. 3 (Aug., 1988), 619.

⁷⁸ Matus Halas, “Post Scriptum on Relative and Absolute gains,” *Perspectives: Review of International Affairs*, Vol. 17, No. 1 2009, 46.

⁷⁹ World Bank, GDP PPP excel data figures. Current as of 8 April 2014. <http://data.worldbank.org/data-catalog/GDP-PPP-based-table>.

such as regional and international order influences affect the relative gain gap sensitivities.

In this complex case, side-payments can only be effective through binding formalized agreements that stipulate the costs of cheating or reneging on responsibilities.⁸⁰ Robert Powell contends that for states to sustain cooperation “each actor must be able to make the long-run costs of defection for the other actor outweigh the immediate gains.”⁸¹ If the US and India focus on areas of lower barriers, options open up for increased levels of agreement. Grieco sums it up well when stating, “The most direct way to ameliorate relative-gains concerns is to reduce the possible gaps in gains that may result from cooperation so that, given national sensitivities to such gaps, partners are no worse off from a relative-gains viewpoint as a result of cooperation as compared to noncooperation.”⁸² To date, it seems as if the US and India focuses solely on the bilateral relationship to the detriment of reaping regional opportunities.

The US and India have tended to focus myopically on mutual interests in the economic regime and typically this is where the cooperation tends to fail. “A growing number of investor-state disputes center on the sectors for which modern governments are most clearly required by their people to be held accountable,” and in India’s case that is agriculture and infrastructure. In these two areas, which need the most assistance, India places high protectionist measures.

In addition, this bilateral focus blinds each to positive payoff opportunities that extend beyond these interests. Similar to Stoke’s assertion earlier about sector specific trade agreements, the US may need “to propose India specific language” to facilitate the acceptance an economic agreement.⁸³ The focus of the economic dialogue should be

⁸⁰ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?* Editors Simon Bromley, Maureen Mackintosh, William Brown, and Marc Wuyts, (London ; Sterling, Va: Pluto Press in association with the Open University, 2004), 449. Also see Todd Allee and Clint Peinhardt, “Evaluating Three Explanations for the Design of Bilateral Investment Treaties,” 52, for more information.

⁸¹ Robert Powell, “Absolute and Relative Gains in International Relations Theory,” *The American Political Science Review*, Vol. 85, no. 4, December 1991, 1310.

⁸² Joseph M. Grieco, Realist Theory and the Problem of International Cooperation: Analysis with an Amended Prisoner's Dilemma Model, 615.

⁸³ Aspen Institute India Joint Study Group Report, “The United States and India: A Shared Strategic Future,” Council on Foreign Relations, September 2011, 30. Also identified in Ashley J. Tellis, “India as a New Global Power: An Action Agenda for the United States,” (Carnegie Endowment for International Peace, 2005), 17, that international institutions need to start accommodating in some way by Condelezza Rice.

“altering the structural framework that governs the flow of economic resources between the two sides through the instruments of policy change.”⁸⁴ Beth Simmons states that the terms of a credible “commitment are and always have been determined by the interests and bargaining power of the parties.”⁸⁵ The common element in all of these assessments is that the US and India need to address the current state of matters and recalibrate based on mutual needs and benefits.

In the US-India case, any credible commitment made today that follows the historical course, such as concentrating on the Pacific due to China’s rise and misidentifying the international order, will be misguided and inevitably will lead to faulty commitments. For the relationship, the ‘new Great Game’ needs a new vision, and that vision encompasses the Western Indian Ocean Region (WIOR).⁸⁶ Broadening the aperture to include regional economic possibilities increases the chances for long-term strategies to deal with long-term problems. A long-term focus on the WIOR offers many opportunities for the US and India to develop an effective economic regime.

WESTERN INDIAN OCEAN REGION (WIOR) INTERESTS

Formalizing an economic agreement between the US and India is critical to stabilizing portions of the international order. Humans naturally strive to control as much of the environment as possible, understanding that some things will be beyond complete control. By formalizing an economic agreement, the US and India could potentially establish more control over certain areas significant to both parties. The primary focus should be on an area that contains low barriers and high potential agreement between the two states. That area is the arc of security and economic instability extending from India’s immediate eastern border state of Bangladesh through South and Central Asia, culminating in the fragile and economically important Eastern Africa states.

⁸⁴ Ashley J. Tellis, “India as a New Global Power: An Action Agenda for the United States,” (Carnegie Endowment for International Peace, 2005), 44.

⁸⁵ Simmons, “Bargaining Over BITs, Arbitrating Awards: The Regime for Protection and Promotion of International Investment,” 43 and Todd Allee and Clint Peinhardt, “Evaluating Three Explanations for the Design of Bilateral Investment Treaties,” 57.

⁸⁶ CUTS International, “India’s Experiences On Preferential Trade Agreements (PTAs),” Paper prepared for the launch meeting of BRICS Trade and Economics Research Network (BRICS-TERN), Shanghai, China, November 2011, 17 and Kaplan who identifies the new Great Game in politics, see Robert D. Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, (Random House trade pbk. ed. New York: Random House Trade Paperbacks, 2011), 13.

The WIOR presents both opportunity and challenge. Kaplan asserts that, “The Indian Ocean may not have a unitary focus...but it certainly does constitute a scale model of a global system.”⁸⁷ The WIOR contains over 30 states, where the diverse opportunities and constraints allow a regional focus. The opportunities abound for the two states to capitalize on their combined economic might demanded of the emergent international order.

When discussing balance of power dynamics in the contemporary world, IR analysts now must contend with many multipolar regions and accompanying actors. Complicating the calculus is the fact that some swing states sit at the nexus of numerous multipolar regions. India exists geopolitically in such a place. India sits in the heart of South Asia, lies on the near-periphery of Southeast and Central Asia, and influences the far periphery regions of East Asia and East Africa. Unfortunately, the primary focus of the US-India relationship has been on only one segment, East Asia.

East Asia warrants a focus since it contains many large economic powers such as China, Japan, and South Korea. Of those states, China presents the international order with a great deal of uncertainty in East Asia and the Pacific.⁸⁸ The density of regional powers dilutes India’s potential influence in the Pacific. The singular focus on the Pacific by the US and India curtails the potential for an effective Indian Ocean economic regime. As is evident, India’s position should focus on the regions bounding the Indian Ocean, complementing Kaplan’s prognosis that “the Indian Ocean may be the essential place to contemplate the future of U.S. power.”⁸⁹

Combining the advantages of both the US and India could pay off handsomely in the region. “One of the cornerstones of India’s stated foreign policy, though not a notably successful one to date has been to build a strategically secure, politically stable, harmonious, and economically cooperative neighbourhood.”⁹⁰ Unfortunately, India’s rise has not induced the requisite change in the region among the smaller neighboring states due to poor leadership.⁹¹ Even though India has failed to assert itself in the region, it has

⁸⁷ Robert D. Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, (Random House trade pbk. ed. New York: Random House Trade Paperbacks, 2011), 16.

⁸⁸ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 81.

⁸⁹ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, xiv.

⁹⁰ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 103.

⁹¹ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 248.

produced dividends that the economic regime could capitalize on through effective partnerships.

Malone and Raja Mohan agree that India needs to control the alteration of the dynamic region in order to develop cooperation and prosperity, which are stability prerequisites.⁹² The US and India possess the potential for a long-term economic regime that extends beyond a bilateral agreement and invites India's border-states to collectively cooperate and prosper, which is known as the domino effect. The domino effect essentially is adding other states to the economic regime through either directly joining, or establishing cooperative and collaborative economic mechanisms in the region.⁹³

A positive trend is that as Asia increases in power, other regions are taking notice. Mohammed el-Erian indicates, "Gulf and Indian Ocean littoral states are beginning to see that the rise of Asia is offering a valuable alternative to their traditional dependence on the West for economic assistance and military support. This has created an entirely new context for thinking about the balance of power throughout the entire region."⁹⁴ An alternative is precisely what a US-India economic regime provides for the region. Capitalizing on the security and economic advantages in the WIOR, the US and India can shape the regional balance of power.

Regional Balance of Power – Security and Economics

Physical security plays a major role in the region's economic vitality. Piracy serves to undermine the sea lines of communication required for oceanic commerce. India has taken steps to combat piracy, assisting US efforts in the region. "In 2008-9, India played an active role in policing the Gulf of Aden (alongside several Western powers and the Chinese Navy) to discourage rampant piracy emanating from Somalia."⁹⁵ Piracy threatens the massive amount of commerce that transits the WIOR. "Today, according to some accounts, 90 percent of intercontinental trade and two thirds of all petroleum supplies travel by sea."⁹⁶ Specifically, the "Indian Ocean accounts for one half of all the world's container traffic" and the "Indian Ocean rimland from the Middle East

⁹² Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 128 and Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 269-270.

⁹³ Richard Baldwin, "Multilateralizing 21st Century Regionalism," *Global Forum on Trade Reconciling Regionalism and Multilateralism in a Post-Bali World*, 29.

⁹⁴ Gupta, *Global Security watch—India*, *Global Security Watch*, 143.

⁹⁵ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 186.

⁹⁶ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 7.

to the Pacific accounts for 70 percent of the traffic of petroleum products for the entire world.”⁹⁷ Currently, the US Navy provides a common security good by patrolling international waters, including the Indian Ocean.

Today, states of the world can essentially free ride on Indian Ocean security predominantly provided by the US.⁹⁸ Mahbubani warns that due to tightening budgets, maritime protection currently provided by US naval forces might subside, requiring others to fill the vacuum.⁹⁹ Kaplan offers a different warning to the US, predicting that India and China could collaborate to protect Indian Ocean sea lines of communication, which may impede US power projection in the region.¹⁰⁰ “In other words, the Indian Ocean will be where global power dynamics will be revealed. Together with the contiguous Near East and Central Asia, it constitutes the new Great Game in geopolitics.”¹⁰¹ The US needs to secure positive measures to ensure India’s policies do not become subservient to or collectivized with China’s foreign policy.

India and the US have a stake in making sure that other states, especially competitive ones, do not create a dominating presence in the Indian Ocean. “For India, which is predicted to encounter enormous energy shortfalls in the coming years, this is especially relevant; India cannot afford to have its maritime link with the Persian Gulf obstructed or tampered with.”¹⁰² India’s extended influence will also prevent China from monopolizing the area, especially in conjunction with US extended deterrence.

As evidenced earlier, China is invested in the WIOR for resources.¹⁰³ The combined US-India effort serves as an example for others to bandwagon or emulate, thereby expanding security and decreasing the US presence in the region. This represents a win-win situation, especially as the US rebuilds its international reputation and demonstrates commitment without necessary direct intervention, unless called upon. It also soothes India’s fears of being a junior partner.¹⁰⁴

⁹⁷ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 7.

⁹⁸ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 330.

⁹⁹ Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World*, 181.

¹⁰⁰ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 13.

¹⁰¹ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 13.

¹⁰² Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 186.

¹⁰³ Gupta, *Global Security watch—India*, Global Security Watch, 144.

¹⁰⁴ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 142-143.

Economic cooperation serves to enhance security and stability in the WIOR. Economically depressed South Asia needs a responsible leader and India can provide that leadership. Already “there is growing interest in the Indian private sector and the Asian Development Bank (ADB) to promote economic integration in the eastern part of the subcontinent. The concept of a South Asian Growth Quadrangle (SAGQ) involving Nepal, Bhutan, Bangladesh, and India’s eastern and north-eastern regions has taken root.”¹⁰⁵ The ability to subsume and underwrite development by the US and India would give it more teeth and improve the local conditions dramatically.

The global poor that reside in the region evidence the importance of this cooperative effort. “Out of an estimated 900 million people living below the poverty line in Asia, some 500 million live in the SAGQ countries especially Bangladesh, the eastern states of India including Bihar and eastern Uttar Pradesh, and Nepal. This region is home to the largest and deepest concentration of the world’s poor.”¹⁰⁶ In order for the US and India to extend their reach, poverty in the region needs to be reduced through an effective economic regime. Moving West from South Asia, Iran poses both a threat and an opportunity for a joint US-India venture.

IRAN

Iran’s importance in this equation cannot be understated. India has cordial relations with Iran, where the US-Iran relationship is confrontational. The Iranian situation is possibly the greatest test for the US-India regime. Kaplan feels that the US needs to recognize that India and Iran are in a similar category. Specifically both are littoral states, one dominating South Asia and the other the Middle East, but the US is unaccustomed to seeing them in this light.¹⁰⁷ A main difference between the two for the US is nuclear proliferation concerns. The US views India as a reliable steward of nuclear power, while Iran is a closed state with uncertain nuclear ambitions. Nuclear stability in the region is a priority for all WIOR states, in which a combined US-India effort can pay dividends. If the US and India combine their efforts in the region, the resulting partnership can possibly open pathways to future expanded collaboration throughout the

¹⁰⁵ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 250.

¹⁰⁶ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 250.

¹⁰⁷ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 12.

region. Through collaboration, “a mature US-India partnership on the issue puts the onus on both countries to facilitate a peaceful end to Iran’s nuclear program.”¹⁰⁸

Besides nuclear issues, India has numerous interests where Iran plays a critical role. Iran provides India with access to Afghanistan, an influential voice in Pakistan, as well as vitally important natural energy resources. For these reasons, the US needs to understand that “India views Iran as an important future partner over the long term-as a critical element of its energy security policy and as the natural gateway to Central Asia.”¹⁰⁹

Addressing this is critical since China is Iran’s largest oil importer, with India coming in second.¹¹⁰ Iran, literally and figuratively, is one of the central battlegrounds for India and China over natural energy resources. These are but a few reasons that prove the US “attempt to isolate Iran is untenable.”¹¹¹

India’s positive Iranian relationship could temper US negativity towards Iran and a more open dialogue could ensue. Those opportunities will not come to fruition until the US and India develops their own dialogue of trust. Mahbubani questions: “Can the West conceive of a possibility that the best way to engender change in Iran is to slip Iran into the story of the great convergence?”¹¹²

The great convergence relates to the decline of the West and the rise of Asia, where a joint US-India effort could potentially reduce tensions in the WIOR. The promising aspect of the Indian-Iranian partnership is that they have cultivated ties that have risen above the animosity that strains many non-Muslim state interactions in contemporary IR, which includes states of the Persian Gulf.

PERSIAN GULF

The Persian Gulf remains a critical geostrategic location, especially for natural energy resource-deficient economies. “The world’s energy needs will rise by 50 percent by 2030, and almost half of that consumption will come from India and China. India-soon to become the world’s fourth largest energy consumer after the United States,

¹⁰⁸ The Heritage Foundation, “Beyond the Plateau in U.S.-India Relations,” 5.

¹⁰⁹ Gary K. Bertsch, Seema Gahlaut, and Anupam Srivastava, *Engaging India: US Strategic Relations with the World’s Largest Democracy*, (New York: Routledge, 1999), 37.

¹¹⁰ Gilboy and Heginbotham, “Double Trouble: A Realist View of Chinese and Indian Power,” 132.

¹¹¹ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 12.

¹¹² Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World*, 143.

China, and Japan-is dependent on oil for more than 90 percent of its energy needs, and 90 percent of that oil will soon come from the Persian Gulf by way of the Arabian Sea.”¹¹³ These facts indicate that China’s need for natural energy resources will not recede, which means increased Chinese presence in India’s sphere of influence.

China’s increased presence in the WIOR directly and indirectly challenges India’s freedom of access for natural energy resource requirements. To meet these challenges, India needs to compete on a better scale economically than it has in the past to ensure it does not compromise its stake in the security and vitality of the region. This does not mean barring Chinese access, since that would inevitably increase China’s aggressiveness to secure access to resources. A combined US-India effort would increase China’s costs to act aggressively in the region. Securing a joint US-India economic agreement also offers WIOR states an alternative to sole dependence on Western support mentioned earlier. Besides natural energy resources, the Persian Gulf represents a major destination for Indian human labor.

India exports large numbers of workers throughout the WIOR, which extends its influence and improves its economic standing. “Approximately 3.5 million Indians work in Gulf Cooperation Council countries and send home \$4 billion annually in remittances.”¹¹⁴ For these reasons, it is apparent that “India has an important stake in the modernization and political moderation of the Middle East.”¹¹⁵ US interests match India’s, which makes a joint US-India approach even more enticing. All of these aspects require a long-term vision with financial backing provided through an effective economic regime. If this is achieved, the US and India can extend the benefits to India’s western fringe of influence delimited by Eastern Africa.

EAST AFRICA

East African states make up the western fringe of India’s regional influence. This area is also a mix of promise and problems. The promise arises with the “emerging and volatile democracies of East Africa” where an overall annual African rate of growth

¹¹³ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 7-8.

¹¹⁴ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 12 and Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 73.

¹¹⁵ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 78.

equals 6.5 percent since 2003.¹¹⁶ The problems are due to the rampant piracy and terrorism security concerns that emanate from this area. These forms of instability threaten the major sea lines of communication throughout the WIOR. Development in this area would be beneficial to reducing the exportation of piracy and terrorism throughout the Indian Ocean.¹¹⁷

Currently, India has positioned itself in this area, where Singh defined Africa as a neighbor and part of the Indian Ocean community.¹¹⁸ “Outside India’s immediate neighborhood, Africa is the largest beneficiary of India’s foreign aid and related commercial ventures. India has provided credit lines worth \$200 million for the New Economic Partnership for Africa’s Development (NEPAD)...as well as bilateral lines of credit to Sudan and some other African countries.”¹¹⁹ A combined US-India effort in Africa would help increase security on the Western fringe of India’s sphere of influence, and extend security and economic efforts in the region. As Raja Mohan asserts, “A new engagement with Africa completes the new Indian framework for its larger role in the Indian Ocean littoral.”¹²⁰

Trade and investment is crucial to this area. As African populations “become more prosperous through the enlargement of middle classes, trade, energy routes will burgeon in all directions, both on land and sea, leading to a multiplicity of organizations and alliances.”¹²¹ A combined US-India economic effort in the region increases African states’ self-reliance, while freeing themselves of sovereignty concerns brought about through aid dependence. Kaplan asserts, “This is how African poverty may be partially assuaged: less by Western foreign aid than by robust trade with the richer areas of the former third world.”¹²² African natural energy resources also factor into the equation, creating another avenue of attack for a joint US-India venture.

¹¹⁶ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 5, 297 and Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World*, 42.

¹¹⁷ Kronstadt, K. Alan, Paul K. Kerr, Michael F. Martin and Bruce Vaughn, “India: Domestic Issues, Strategic Dynamics, and U.S. Relations,” Congressional Research Service, The Library of Congress, 1 Sep 2011, 38.

¹¹⁸ Gupta, *Global Security watch—India*, Global Security Watch, 143.

¹¹⁹ Malone, *Does the Elephant Dance?: Contemporary Indian Foreign Policy*, 89.

¹²⁰ Raja Mohan, *Crossing the Rubicon: The Shaping of India’s New Foreign Policy*, 233.

¹²¹ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 14.

¹²² Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 8.

A joint venture by the US and India serves to increase African vitality, without concerns of imperialism. Currently, “India is courting Africa with soft loans, development aid, and political support to win lucrative oil projects.”¹²³ As indicated in the Persian Gulf section, oil is a critical resource for India. Securing oil resources from Africa creates a challenge, but one that can be deftly defeated. Like the Persian Gulf, the challenge is China’s interest in the area.

China has been pouring large amounts of money and people into the area to extract the natural energy resources required for its economy. Considering China’s economic size, swaying African states toward a joint US-India economic regime seems daunting. However, a joint US-India economic regime could establish the foothold needed for India to secure resources by taking advantage of China’s deficient policies. States like Zambia, Egypt, Libya, and Nigeria feel China is exhibiting tendencies of “neo-colonialism,” since China extracts resources without ethics or values.¹²⁴ In other words, China acts in their own interest, without adding to the economic vitality of the states.

The US and India can capitalize on these Chinese deficiencies by emphasizing their differences. The US as a developed state and India as an emerged Third World State, both bound by democracy, can demonstrate a unified effort in the region. The unified effort provides stability and economic value to the region. In addition to the value added, the joint venture also allows African states to have economic disagreements arbitrated by both the US and India, which reduces concerns for imperialism or unfavorable unilateral resolutions.

In the end, a US-India economic regime, bounded by a formalized economic mechanism, reduces relative gain gap sensitivities due to lower barriers and higher agreement. Increased levels of cooperation allows the US and India to combine their individual advantages into an optimal long-term strategy for the WIOR. The long-term strategy seeks to ensure freedom of access, peace, stability, and economic vitality for all states concerned to better, not only the region, but also the entire international order.

SUMMATION

¹²³ Kaplan, *Monsoon: The Indian Ocean and the Future of American Power*, 296.

¹²⁴ Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World*, 128.

The international order contains shifting of centers of gravity. Asia is emerging once again as a center of gravity in IR. The prediction that by 2025, Asia will produce about half of the world's economic product provides evidence to the shifting center of gravity.¹²⁵ In Asia, China and India represent two of the greatest actualized and potential powers that continue to develop and influence the international order in the future. As Kaplan put it earlier, the new great game is underway and the players need to develop the rules according to their needs.

Security will always be a top priority; however, economics plays as great a role. The current dynamic confounds IR theory expectations, and demands more emphasis on bridging mechanisms and deeper analysis. The dynamic is playing out currently in the US-India relationship. Raja Mohan posits that, "Realists will insist that growing economic interdependence in the world does not rule out balance of power politics. For now, at least India is not being asked to resolve the apparent contradiction between emphasizing strategic partnership with the US and promoting 'multipolarity' in the world. As it pursues strategic partnerships with all major powers, India's aim is to emerge as the indispensable element of future balance of power in Asia."¹²⁶ Raja Mohan's assertion provides evidence that confusion over global and regional multipolar concerns exists.

Arguably, the US position enables it to assist India's emergence as that indispensable element in the international order. In a literal sense, "those who are the most powerful and the furthest away can be one's best friend."¹²⁷ For that to occur, both have to establish long-term strategies, and place each other firmly in those strategies. Without trying to sound trite, relative gains are relative. This means rarely will a relationship be symmetric. Each side will have advantages and disadvantages. Capitalizing on the critical elements of both fosters an effective relationship.

Both the US and India seemingly focus on short-term aims, which leads to erratic policies and a zero-sum mindset concerning all matters, not just security as is typically the case. Hansclever et al posit, "Literature on the democratic peace suggests that the

¹²⁵ M. L. Sondhi, Prakash Nanda and M. J Akbar, *Rising India: Friends and Foes : Essays in Honour of Prof. M.L. Sondhi*, (New Delhi; Olympia Fields, IL: Lancer, 2007), 119.

¹²⁶ Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy*, 281.

¹²⁷ Sondhi, Nanda, and Akbar, *Rising India: Friends and Foes*, 129.

stable peace that exists among democracies virtually eliminates relative gains concerns as an obstacle to cooperation between states with this type of polity.”¹²⁸ The US-India relationship demonstrates that democracy is not necessarily a determinant of relative gain sensitivity.

Being viewed as tool of US diplomacy and power remains one of India’s main concerns. India’s image serves to help develop tactical, rather than strategic policy. India could benefit from American power, to “realize their strategic potential and to increase mutual cooperation.”¹²⁹ The finesse resides in not putting India on a hook for the US, but on an Asian regional hook, where due to its size, potential and geographic location, the benefits realized by India serve its own interests, as well as those of the US. Concerted efforts can overcome the difficult relative gains dilemma between states, which can reduce sensitivities.

The trick in reducing sensitivities to relative gains is changing the resultant from zero-sum to non-zero sum. “If states evaluate their positions purely in relation to others...then all games even positive-sum ones – are transformed into zero-sum games. Neither will be prepared to move away from the origin.”¹³⁰ The US and India have proven that cooperation is possible, so this does not seem to apply. However, “when states care about both their absolute gains and their relative positions, the outcome is indeterminate and depends on how they weigh the one against the other. If relative considerations do not weigh too heavily in their calculations, states may still find themselves in a positive-sum game.”¹³¹ This is where the economic regime needs to move towards through *Accelerated Interaction*, which means finding the path to lowering barriers and increasing agreement through learning, which changes the economic relationship into a positive sum interaction.

Regimes constitute a learning process, where as a regime develops, so does learning. Learning as defined by Thomas Gehring is “the process of modification of

¹²⁸ Andreas Hansclever, Peter Mayer and Volker Rittberger, “Integrating Theories of International Regimes,” *Review of International Studies*, Vol. 26, no. 1, January 2000, 18.

¹²⁹ Tellis, “Opportunities Unbound: Sustaining the Transformation in U.S.-India Relations,” 11.

¹³⁰ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?*, 284.

¹³¹ *Making the International: Economic Interdependence and Political Order: a World of Whose Making?*, 284.

existing knowledge involving the recalculation of preferences by actors.”¹³² Inconsistent and potentially intentionally defeatist economic policies plague the learning process. US policies towards India, whether intentional or not, can be seen as attempts to weaken India economically, in order to force it into a position favorable to the US. The US recognizes that when a state’s economy is stalled or retreating, it may be willing to relinquish sovereignty concerns by making concessions, which would otherwise be unachievable.¹³³ Reorienting the regime means recalculation.

The recalculation presented in this argument is *Accelerated Interaction* through economic mechanisms, which results in potential side-payments that meet the diverse needs of both states. Another factor in the economic mechanism between the two states is the domino effect. Richard Baldwin calls this mega-regionalism, since it combines existing agreements together under one multilateral agreement.¹³⁴ The key is to stop thinking about the US and India bilaterally, and think about long-term trade and investment in the region.

The reason for this is evident and provides a workable framework for thinking about the problem strategically instead of tactically. As Hansclever et al posit, “Regimes are deliberately constructed, partial international order on either a regional or global scale, which are intended to remove specific issue-areas of international politics from the sphere of self-help behavior.”¹³⁵ States create regimes to overcome the suboptimal results of going-it-alone in the self-help wilderness of international anarchy.¹³⁶ The suboptimal position in this case is allowing the WIOR to develop into a whirlpool of instability. The states cannot wait for short-term crises to tackle these long-term pressing issues. The cooperative endeavor troubles some realists that would contend that we are creating a powerful adversary through advantaged relative gains.¹³⁷

¹³² Thomas Gehring, “The Theory of International Regimes,” 56.

¹³³ Simmons, “Bargaining Over BITs, Arbitrating Awards: The Regime for Protection and Promotion of International Investment,” 24.

¹³⁴ Richard Baldwin, “Multilateralizing 21st Century Regionalism,” Global Forum on Trade Reconciling Regionalism and Multilateralism in a Post-Bali World, 29.

¹³⁵ Andreas Hansclever, Peter Mayer and Volker Rittberger, “Integrating Theories of International Regimes,” *Review of International Studies*, Vol. 26, no. 1, January 2000, 3.

¹³⁶ Joseph M. Grieco, “Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism,” *International Organization*, Vol. 42, No. 3 (Summer, 1988), 495; citing Arthur Stein.

¹³⁷ Joseph M. Grieco, “Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism,” 499-500.

India is a partner, not an adversary; its interests match in some degree and fashion US interests. Through an effective partnership, the US gains power on numerous levels through this relationship. To date, the two states' relative gains sensitivities have prohibited an effective cooperative agreement. Even if an agreement is settled, but relative gains remain a concern, the regime will falter. Grieco adds, "If two states are worried or uncertain about relative achievements of gains, then each will prefer a less durable cooperative arrangement, for each would want to be more readily able to exit from the arrangement if gaps in gains did come to favor the other."¹³⁸

The US, as the power state in the relationship, should have relatively lower concerns about relative gains, especially in the emergent international order. India on the other hand, is a middle state, where relative gains can tilt the balance one way or another, so it will approach any agreement cautiously.¹³⁹ Until the US and India come to the realization that the stability and peace both seek depends on a persistent and effective economic regime, the relationship will remain plateaued.

¹³⁸ Joseph M. Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism," 506.

¹³⁹ Matus Halas, "Post Scriptum on Relative and Absolute gains," *Perspectives: Review of International Affairs*, Vol. 17, No. 1 2009, 46; citing Grieco 1990.

Chapter 6

Conclusions

No image epitomizes the spirit of our borderless world, with its civilizational competition on one hand and intense, and inarticulate yearning for unity on the other, as much as an Indian Ocean map.

Robert D. Kaplan

Anarchy in both the international order and the market will exist for decades to come; however, analysts cannot blindly accept that all state intentions remain constant in anarchy. State intentions are temporal rather than constant and are influenced by the international order, various regional influences, and specific state interactions. Structural Realism and Liberal Institutionalism theories provide critical insights to possible machinations within the IR environment, but specifics limit the theories utility. Attempting to correlate theoretical assumptions with reality can easily lead states to faulty expectations and incorrect policy formulations.

Structural Realism and Liberal Institutionalism provide guideposts for research and evaluation of past, current, and future relationships. As abstract concepts, state relations never reach theoretical boundaries. Since this remains true, a deeper understanding of state relationships requires bridging concepts. Bridging concepts tie applicable pieces of theories together in an attempt to create a closer approximation of the truth.

Regime Theory represents a viable bridging concept, tying aspects of realism and liberalism into a coherent predictive tool of state interaction. Keohane identifies regimes as social institutions where a “set of implicit or explicit principles, norms, rules and decision-making procedures around which actors’ expectations converge in a given area of international relations.”¹ Security and economics exist as two primary issue areas of convergence and IR theory predicts different state political action in each.

This study challenged a major assumption, that security regimes increase the likelihood of competition and economic regimes increase the likelihood of cooperation.

¹ Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, (1st Princeton classic ed. A Princeton Classic Edition. Princeton, N.J: Princeton University Press, 2005), 57.

The assumption means that relative gain sensitivities presumably increase in security regimes and decrease in economic regimes. While intuitively sound, the assumptions do not reflect reality where numerous influences change a state's relative gain calculus. To understand this state calculus, relationships require analysis to identify specific influential factors that increase or decrease barriers and agreements critical to relative gain sensitivities. In doing so, the author proposed that relative gain sensitivities directly shape the persistence and effectiveness of regimes, and those regimes range across a discord-harmony continuum.

At the extreme ends of the continuum where discord (pure competition) and harmony (pure cooperation) exist, regimes do not exist. Regimes work between the extremes to varying levels of success. A *negative regime*, defined by high barriers and low agreement, falls closer to discord due to high relative gain sensitivities. Low relative gain sensitivities equate to a *positive regime* defined by low barriers and high agreement, which falls closer to harmony. *Neutral regimes* fill the void between negative and positive defined by various barriers and levels of agreement. Regimes fall along this continuum, and change over time according to fluctuations in state relationships.

With this conceptualization, the study sought to understand where the US-India economic regime fell on this continuum, why it exists where it does, and most importantly, what that means for the future of US-India relations. Hence, the study began by analyzing the relationship according to the critical factors of international order, regional influences, and state interactions across two distinct periods, culminating in an assessment of the relationship today, and identifying causes for change to the relationship in the future.

Prior to 1991, the US-India relationship vacillated, with neither one giving priority to the other in development of foreign policy. US international concerns primarily involved the USSR as India struggled to rise independently. The independent rise meant India remained non-aligned with neither the US nor the USSR; however, India eventually gravitated toward the latter. India's need for military supplies and the US relationship with both Pakistan and China led to India's gravitation to the USSR. Once it dissolved, the gravitation dissolved with it, and India faced a harsh economic reality.

The dissolution of the USSR transformed the international order and India's relationship with the US. India lost its main economic benefactor and simultaneously faced a domestic economic crisis brought on by years of internally focused policies. Acknowledging that India needed to integrate in the global economy, it started to reach out for assistance. As the sole superpower during this period, the US seemed to be the most viable option for India.

The fledgling relationship tended to focus on security issues due to the fragile and chaotic South Asian region. India welcomed US support, and the US viewed the support as combating threats to its own national security. The threats differ in scale for each of the states; the US views them as global threats and India views them as regional threats.

A *positive* security regime defined the US-India relationship during this period since the security regime experienced comparatively high levels of cooperation, due to lower barriers and higher levels of agreement. Due to the variable and widespread nature of the threats each faced, both states focused on short-term aims to combat them. The short-term focus clouded the potential for an effective economic regime to be established.

The US-India economic regime began tentatively during this period. Fears and insecurities plagued the relationship from the outset. India feared a deep economic commitment with the US for reasons that vary but included past colonization scars, an unwavering commitment to the Non-Aligned Movement and a heightened sense of sovereignty concerns. India tended to isolate itself from anything that infringed on these concerns. The isolation manifested an internal economic focus to ensure its autonomous sovereignty. India's concerns affected US economic views towards India.

The US took steps to improve India's economic situation; however, the lack of Indian economic vitality grounded those steps. The US treated India as a backward socialist-leaning state that refused to contribute to the global economy and international order. India's desire to level the distribution of power in the international order challenged the US position. Even though India could not physically challenge the US power position, constant railings against the great power to suit its NAM status undercut the potential economic progress available during this period. In the end, the economic regime started amidst high relative gain sensitivities, leading to high barriers and low

agreement and established a *negative* economic regime. The *positive security regime* and *negative economic regime* defined the US-India relationship late into 2001.

September 11th of that year began a new chapter, literally and figuratively, in the US-India relationship. On that day, the US experienced the worst terror attack on its soil in its history. India's long history with terror attacks on its own soil led to its almost unfettered support to the US in the prosecution of the Global War on Terror. The break from a long-held anti-expeditionary mindset shifted the US-India relationship in numerous ways. Additionally, the US reaction to the attacks shifted the international order, which had started to settle after a decade of confusion and uncertainty arising out the dissolution of the USSR.

Since the USSR was no longer a primary threat to US national survival, threats to national interests became diffuse and widespread, encompassing issues such as terrorism, WMD proliferation, and humanitarian crises. Most of these issues emanated from sovereign territories requiring external intervention to solve them. The US sought multilateral solutions to most of these issues, but deemed unilateral action necessary in some circumstances. President Bush's focus on unilaterally prosecuting widespread threats increased consternation among states in the international community that felt the US acted irrationally. The consternation reached an apogee in 2003 when the US invaded Iraq.

These unilateral actions damaged US prestige internationally, especially among European states and the developing world. India stood in stark contrast to these states due to its history with security threats rising from its fragile neighborhood. The September 11 attacks boosted the US-India security regime.

In the past, the US usually referenced India and Pakistan in the same breath, primarily due to nuclear issues. The US broke from this practice by concluding the 2005 US-India Civil Nuclear Cooperation Agreement. The agreement identified India as a stable nuclear power that did not pose a proliferation threat. The actions during this period lowered security barriers, enabled increased agreement, and gave *positive* momentum to the security regime. Again, the security threats fostered a short-term focus, which countered the long-term focus required for a burgeoning economic regime.

During this period, the US and India made strides in the economic sector as well, but those strides did not match expectations. Presumably, the higher expectations arose due to increased integration in the security sector. Banking on a crosscutting transfer of gains in the security regime to the economic regime misses the importance of relative gain sensitivities specific to each regime in the US-India relationship.

IR theorists commonly agree that competition trumps cooperation in security areas, and cooperation trumps competition to varying degrees in economic areas. The US-India relationship does not conform to these expectations. In fact, the situation is reversed and leads to a short-term focus in the economic regime that is traditionally indicative of a security regime. High barriers to, and low agreement on, economic cooperative efforts appeared throughout the relationship during this period.

India's economic reforms started to take shape during this period, leading to exponential growth. The US recognized India's growth and attempted to shoulder it with more responsibility internationally. Realistically, the US limited the scope of responsibility to Asia in general, since India's policies still reflected NAM tendencies and an internal focus.

The US intentions behind pressuring India are twofold. First, the US seeks to constrain India's rise by increasing the regional security burden of cost. Second, placing the regional onus on India allows the US to relinquish visible regional control, while maintaining a leadership position from afar. This seems to confirm that the US desires an increase in Indian power, albeit regionally constrained.

While the US-India economic regime improved slightly during this period, relative gain sensitivities remain high. The high barriers and low agreement resulted in a *neutral-negative* economic regime. A major complicating factor affecting the overall relationship is each state's perception and interpretation of the international order as it stands today.

Since the end of WWII, a bipolar and subsequent unipolar international order dominated. Today, the international order is settling into the normative multipolar order due to the rise of powers throughout the world. Bipolar and unipolar orders demand a global international focus, with a reduced focus on regional concentrations or subsets. In a multipolar order, regional subsets elevate in importance as parts of the global

international order. Where bipolar and unipolar orders contain globally influencing hegemons, multipolar orders contain established and aspiring regional hegemons, which potentially have global influence.

Within the global multipolar international order, the regional multipolar subsets interact with each other creating, dynamics of higher importance than is normally realized in bipolar and unipolar orders. Confusion over international order arises due to the misidentification of the current multipolar international order's expectations with those of a bipolar or unipolar order. This, in turn, gives rise to misinterpretations of individual state aspirations. A case in point is India's desire for multipolar order in the current international construct.

India desires a multipolar order to level the apparent power disparities between states around the world. Arguably, the multipolar rhetoric focuses solely on the great powers in the order. India's true aim should be a balanced Asian multipolar order. Currently, India and China are potential contenders for Asian hegemony.

A balanced Asian order means that a regional hegemon does not exist, since one state does not hold a power monopoly over any other state or states. The US, as a geographically separated regional hegemon, needs to welcome this balance. Instead, multipolar rhetoric emanating from Asian states serves to challenge US perceptions based on old international order expectations, of its position as a global international hegemon. The US does have influence globally, but as the international order settles into multipolarity, a decline in influence seems inevitable. A singular focus on the Pacific region also serves to undercut future advancements in US-India relations.

The Pacific warrants the focus due to the concentration of powers in the region. It is that concentration that dilutes India's potential to influence actions in that region. Yet while the US and India challenge each other on Pacific Ocean issues, they are missing out on enormous opportunities available in other areas, such as in the WIOR. Understanding the current international order enables sound future political action by all actors involved. A long-term vision enhances the ability of both states to contend with future challenges and opportunities.

Achieving future possibilities depends on identifying each state's problematic issues today. India faces numerous problems that directly influence its potential. India

requires an improved economy to contend with its large growing middle class. In addition, a large segment of the population lives below or near the poverty line. Agriculture and infrastructure hold the keys to both population segments prosperity.

Currently, India applies high protectionist economic measures in these areas, which means minimal external assistance; this also seriously curtails many economic opportunities. Protectionist measures create an unfavorable investment climate, which also limits external assistance in terms of FDI. If India does not relinquish its strong sovereignty concerns, it could be left behind as other states vie for position in its neighborhood. For India and the US, that currently means China, which complicates things for the US.

The emergence of a multipolar order means a relative decline in US power. This relative decline does not present a large problem if handled appropriately. Specifically, unilateral approaches to global threats will not work. In fact, espousing these approaches led to a significant tarnishing of US prestige throughout the world. A closely related aspect includes US tendencies to use international institutions when they suit its interests and ignoring them when they do not.

The emergence of numerous powers in the international order also requires a sharing of power to which, the US has become unaccustomed over the last half-century. The future entails enlisting more partners to share the burden of cost, especially among those powers that share similar values and visions. While India's vision differs from the US in specific areas, the two states share enough commonalities to forge a coherent course of action into the future, especially in the economic regime. Three possible courses of action (COA) exist for the relationship and are recalled below.

Neutral Interaction, the first COA, retains the status of the current security and economic regimes. Recognizing the future shape of the international order and the inherent complex dynamics demands a change in the relationship; therefore, this COA does not present a viable option. *Reverse Interaction*, the second COA, switches the emphasis from security to economics. Reversing the focus only compounds the issue of inconsistent policies that India deems typical of US policy. Additionally, reducing security commitments further exacerbates Indian insecurities in the region. While the COA could possibly increase the India's economic vitality, the costs are not worth the

benefits. Of the three possible courses of action, only the last serves the future interests of both states.

Accelerated Interaction seeks to retain the security regime and improve the economic regime. Improving the economic regime requires formalizing an agreement between the US and India. Possible economic mechanisms such as a PTA or BIT exist, which could slide the economic regime along the discord-harmony continuum towards the positive. Additionally, since the US and India already conduct trade and investment, a combined agreement in the form of a PTIA seemingly would increase both sectors simultaneously.

Due to the size and importance of both economies, side-payments seem to be a necessary requirement to meet the unique needs of each state. Formalizing the details of such an agreement takes dedication, time, and effort, but is necessary to establish a long-term focus for both states. It seems to be imperative that the US and India formalize an economic agreement to accelerate the economic regime. Otherwise, each state will end up in a sub-optimal situation in the future, especially in regards to the WIOR.

The WIOR offers untold challenges and opportunities for the US and India. Numerous security threats originate in the WIOR. India's key to success is stability in the region, which means combating the numerous security threats originating in the WIOR. By capitalizing on the established security regime, the two states can cooperatively increase stability in the WIOR by reducing the threat of terrorism, WMD proliferation, and piracy. Increased stability translates into improved economic prosperity since many of these threats place economies at risk.

The world depends on the security of commercial traffic that navigates WIOR waters. Complementing the protection of economic goods is the freedom of maneuver and access to natural energy resources, which exists as key determinants of India's economic success. As a natural energy resource deficient state, India depends on the free flow of and free access to the abundant resources that exist in the WIOR. Securitizing the region ensures that no other state, namely China, dominates the region. China's dependence on the natural energy resources from this area is great, and as China's economy continues to grow, so will their demand for these resources. The ability to influence the WIOR positively is contingent on an improved US-India economic regime.

A stable US-India economic regime encourages economic growth in the WIOR. Both states bring unique advantages to the table; the US already has a significant presence in the WIOR and friendly relations with many of its states. However, many issues originating in this area continue to frustrate US actions. This is where expanded opportunities exist with a joint US-India focus in the WIOR. India's cordial relations with states such as Iran should encourage the US. Iran continues to drain US time and effort, but with India as a partner, a more fruitful dialogue could ensue.

In addition to Iran, other states in the Persian Gulf region play a critical role in India's future. Besides natural energy resource concerns, India provides human labor to the region, which supplies it with a large amount of remittances. On the Western fringe of the WIOR, Eastern African states also add to the potential possibilities. Overall, African economic growth is improving; however, the fragile democracies in the region are plagued by many security threats identified earlier. A joint US-India economic venture in the area could result in enhanced economic vitality and improved security throughout the WIOR. While the opportunities seem abundant, none can be achieved optimally without an accelerated US-India economic regime.

Relative gain gap sensitivities represent a complex subjective field of study. Determining a state's sensitivities to relative gain gaps reveals significant clues as to how a state interacts in the international order. In this study it was shown that the US and India have small relative gain sensitivities in security issues, leading to a *positive security regime* with low barriers and high agreement. The relative gain gap widens significantly in the economic regime.

In the economic regime, the US and India have reduced relative gain sensitivities over the past twenty years, but more can be done to lower barriers and increase agreement. In the future, the two states need to formalize economic agreements to reduce relative gain sensitivities and accelerate the stalled economic regime. Each state needs to take appropriate stock of the current international order and understand the regional influences that inevitably shape it, in order to assess future state interactions. The security and economic welfare of the international order demands this type of attention and leadership from the largest and oldest democracies in the international order.

APPENDIX A
Map of South Asia



South Asia – Western Indian Ocean Region Depiction (Source: Countrywatch.com; Country Watch-India, 2013)

APPENDIX B

World Gross Domestic Product Numbers by Country 2012 (Top 25)

	<i>Ranking</i>	<i>Economy</i>	<i>(millions of US dollars)</i>
USA	1	United States	16,244,600
CHN	2	China	8,227,103
JPN	3	Japan	5,959,718
DEU	4	Germany	3,428,131
FRA	5	France	2,612,878
GBR	6	United Kingdom	2,471,784
BRA	7	Brazil	2,252,664
RUS	8	Russian Federation	2,014,775
ITA	9	Italy	2,014,670
IND	10	India	1,841,710
CAN	11	Canada	1,821,424
AUS	12	Australia	1,532,408
ESP	13	Spain	1,322,965
MEX	14	Mexico	1,178,126
KOR	15	Korea, Rep.	1,129,598
IDN	16	Indonesia	878,043
TUR	17	Turkey	789,257
NLD	18	Netherlands	770,555
SAU	19	Saudi Arabia	711,050
CHE	20	Switzerland	631,173
SWE	21	Sweden	523,806
IRN	22	Iran, Islamic Rep.	514,060
NOR	23	Norway	499,667
POL	24	Poland	489,795
BEL	25	Belgium	483,262

Source: The World Bank, <http://data.worldbank.org/data-catalog/GDP-ranking-table>,
Accessed last on 10 April 2014)

Appendix C

World GDP / Purchase Power Parity Numbers by Country 2012

<i>Ranking</i>	<i>Economy</i>	<i>(millions of international dollars)</i>
1	United States	16,244,600
2	China	12,268,638
3	India	4,715,640
4	Japan	4,487,301
5	Germany	3,377,526
6	Russian Federation	3,373,164
7	France	2,371,919
8	United Kingdom	2,368,246
9	Brazil	2,327,394
10	Mexico	2,022,202
11	Italy	2,018,435
12	Korea, Rep.	1,540,151
13	Canada	1,483,586
14	Spain	1,480,941
15	Turkey	1,357,734
16	Indonesia	1,203,637
17	Australia	1,011,639
18	Saudi Arabia	882,984
19	Poland	854,191
20	Netherlands	722,769
21	Thailand	645,175
22	South Africa	576,123
23	Egypt, Arab Rep.	533,913
24	Colombia	497,843
25	Malaysia	494,696
26	Pakistan	491,144
27	Nigeria	450,056
28	Belgium	442,917
29	Switzerland	426,093
30	Philippines	419,583
31	Sweden	409,416
32	Venezuela, RB	397,400
33	Chile	390,558
34	United Arab Emirates	381,087
35	Austria	369,480
36	Hong Kong SAR, China	365,620
37	Romania	362,653
38	Vietnam	336,221
39	Ukraine	332,744
40	Norway	329,438

Source: The World Bank, <http://data.worldbank.org/data-catalog/GDP-ranking-table>, Accessed last on 10 April 2014)

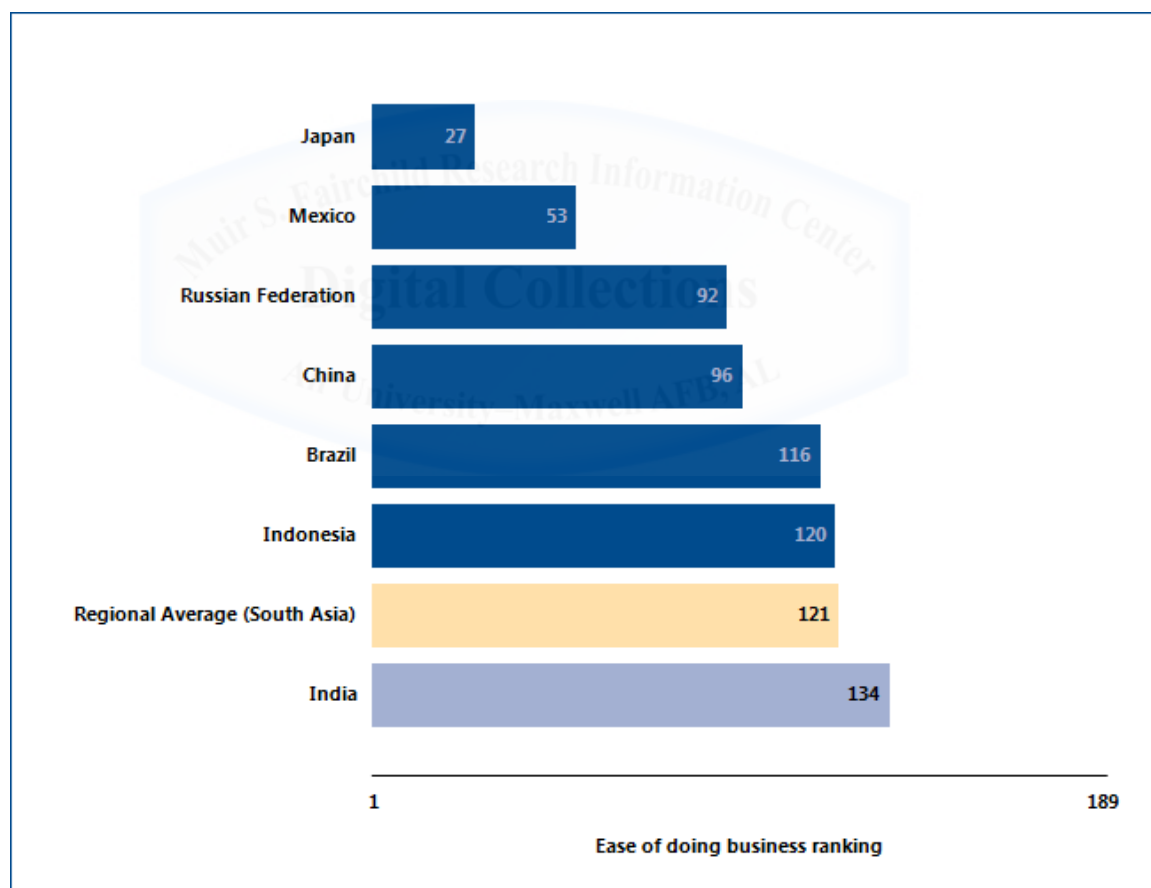
Appendix D

Ease of Doing Business-India

Ease of Doing Business Rank	2014	2013	2012	2011	2010	2009	2008	2007	2006
India	134	132	132	134 (139)	133 (135)	122 (132)	120	124	116

Source: Rankings compiled from IFC World Bank Reports 2006-2014. Numbers in parentheses represent changes indicated in subsequent ranking documents. Ex: In 2009, original ranking was 122, in 2010 the ranking was adjusted to 132. <http://www.doingbusiness.org/reports/global-reports/doing-business-2014>

Ease of Doing Business Comparative Rankings



Source: "Doing Business 2014: Economy Profile India," *World Bank*.

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